France	FFr7.80	Lux.	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira18	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,968 Tuesday October 10 1989 D 8523A

POLAND

West's aid bodies chart new waters

Page 2

World News

France calls for World Park in Antarctica

French Prime Minister Michel Rocard called for Antarctica to be declared a world park to protect its fragile environment and ecologists said they wanted a total ban on mining in the frozen continent.

M Rocard told diplomats at the start of an 11-day meeting that the earth's coldest continent must be preserved for world science. Page 2

Bush praised

US President George Bush's handling of the failed coup attempt against General Manual Noriega of Panama was generally backed by the American public, a public opinion poll revealed. Page 6

Lee to step down

Singapore Prime Minister Lee Kuan Yew said he will step down and hand over power to his deputy, Goh Chok Tong, by the end of next year.

China retaliates

China started refusing to accept repatriation of illegal immigrants from Hong Kong in what could be retaliation for the colony's refusal to return a Chinese swimmer being feted by overseas Chinese dissidents. Page 4

Disaster averted

A Boeing 727 landed safely in Paris missing one wheel after losing part of its undercarriage on take-off from Algiers.

Rebels kill 100

Mozambican right-wing rebels said they had killed about 100 soldiers in an offensive aimed at forcing the Government to hold direct peace talks.

Mubarak warned

A leader of the radical Palestinian guerrilla group, the Popular Front for the Liberation of Palestine, warned Egyptian President Hosni Mubarak that he could suffer the same fate as his assassinated predecessor unless he abandoned his Middle East peace campaign.

UN warns West

UN Secretary-General Manfred Wörner rebuked Western governments for easing off on defence and said a dramatic improvement in East-West relations could not mean "cut-price security".

Pope visits Jakarta

The Pope arrived for a six-day visit to Indonesia, which has the largest Moslem population in the world.

Anti-drugs push

The presidents of eight Latin American nations, the world's main cocaine-producing countries among them, meet this week in search of a common strategy against drugs.

Typhoon kills 50

At least 50 people were killed as raging flood waters from Typhoon Angela swept away homes in the Philippines.

Burmese hijacker

Two Burmese students who hijacked an airliner to Thailand to demand an end to political repression at home will stand trial in Bangkok and not be repatriated.

Journalists strike

Journalists on the Daily Telegraph in London launched an immediate 36-hour strike last night after management announced plans for 33 redundancies and new contracts covering seven-day working.

Business Summary

ICI to sell part of US drug interest for $450m

IMPERIAL Chemical Industries is to sell its US non-prescription drug business to a joint venture between Merck and Johnson & Johnson, two big US pharmaceuticals companies.

The deal, worth more than $450m, will be effected partly by a cash payment, believed to be between $350m and $400m. Page 21

EUROTUNNEL, Anglo French Channel tunnel group, defended its handling of the crisis brought on by rapidly rising construction costs, denying it was involved in a row with its contractors. Page 21

EC merger control: Britain is to propose a "two-tier" system of European Community merger control in an effort to avert stalemate over the European Commission's long-standing demand for power to vet large deals in advance. Page 20

AUTOMOBILE Association, UK motoring, travel and insurance group, is to axe sales of overseas air-charter package holidays with the loss of 500 jobs in response to the slump in package holiday bookings for next year. Page 9

HONG Kong Airport: Plans for Hong Kong's new two-runway international airport, to be located at Chek Lap Kok west of the island of Lantau, are likely to be approved by the colony's executive council today. Page 4

PECHINEY, world's third largest aluminium producer, threatened to scrap a planned FFr4.5bn ($702m) plant unless the European Commission clears it from allegations of illicit state aid. Page 3

VALLOUREC, formerly loss-making French producer of steel tubes, produced a more than fourfold increase in first half profits, on turnover up 21 per cent to Fr4.35bn ($678m). Page 22

MITSUI: Iranian Government has formally permitted the Japanese group to withdraw from the ill-fated Bandar Khomeini petrochemical plant joint venture after it paid a "separation fee" of Y120bn ($845m). Page 7

ALFA-Laval, Swedish dairy equipment and process engineering group, reported a 51 per cent rise in profits to SKr791m ($122m) for the first eight months of 1989. Page 24

AKER, big Norwegian industrial group, reported pre-tax profits, before financial items, in the first eight months of this year more than sevenfold to NKr391m ($56.2m) from NKr51m. Page 24

BANCO NACIONAL Ultramarino of Portugal has been asked by the Bank of France to take over management control of Paris-based Banque Franco Portugaise because it was not being managed under normal conditions. Page 24

TELERATE, US company which provides on-line financial data to the financial markets, said it was negotiating with American Telephone & Telegraph to buy its 50 per cent of a joint venture to develop a foreign exchange trading service. Page 23

ROVER GROUP, British motor manufacturer, is developing a high-performance, luxury coupé aimed primarily at North American markets, which is being designed independently of Honda. Page 20.

EC accounting: the UK's three main accounting bodies have suggested a Europe-wide mechanism for setting accounting standards in draft proposals that have stirred a row between big accountancy firms and professional bodies. Page 20

Sterling falls below DM3 despite interest rate rise

By Simon Holberton and Patrick Harverson in London

STERLING dropped sharply on financial markets yesterday only days after the British Government raised interest rates to prop up the currency.

Despite the base rates rise to 15 per cent, sterling fell 5¼ pfennigs through the psychologically important DM3 barriar to DM2.9750, its lowest level against the D-Mark for 21 months. The fall followed a bout of substantial selling in the morning.

Although officials insisted that Britain was maintaining a tight monetary policy, yesterday's drop in sterling underlined the difficulties facing Mr Nigel Lawson, the Chancellor of the Exchequer, in maintaining a firm and stable exchange rate.

The fall in the exchange rate is another blow to Mr Lawson, who was yesterday writing his speech to be delivered on Thursday at the Conservative Party's annual conference in Blackpool. Last Thursday he ordered a rise in interest rates in part to bolster the pound's value on the foreign exchanges.

Analysts said they did not think the Government was prepared to raise interest rates again and so risk pushing the British economy into recession. This reduced the attraction of the pound to foreign investors.

The sharp decline in sterling against the D-Mark unsettled UK financial markets, with share and Government stock prices falling. The FT-SE 100 Share Index closed 30.5 lower at 2,247.0, and long-dated gilt-edged prices were off a point at the long end.

The political discomfit facing the Conservative government was emphasised as the Halifax Building Society, Britain's largest provider of home finance, yesterday said that it would raise the cost of mortgages from 13.5 per cent to 14.5 per cent in the wake of the base rates rise.

The rise in the Halifax rate, which becomes effective for its 1.6m borrowers from November 1, brings it to its highest level since November 1981. A borrower with an endowment mortgage of £60,000, for example, will have to pay an extra £43 a month.

The high cost of mortgages is expected to depress further consumers' expenditure and the housing market and expected to herald difficult times for the housing industry.

Yesterday's fall in the pound came after damaging reports in the weekend press that the rift between the Chancellor and the Mrs Margaret Thatcher's personal economic adviser, Sir Alan Walters, had reopened. News of the opposition Labour Party's lead in the opinion polls also unsettled the market.

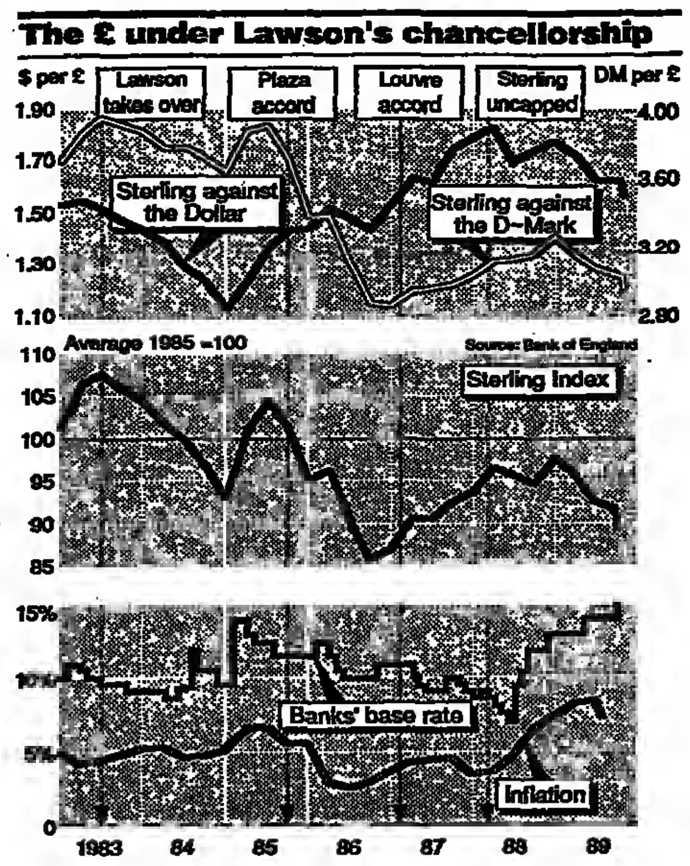
The Treasury strongly denied reports of a rift between Mrs Thatcher and Mr Lawson. It said that the Prime Minister and Mr Lawson fully agreed on the need to raise interest rates last week.

Sir Alan had attended all meetings held on the topic and he certainly did not dissent from the decision, the Treasury said.

Both Bank and Treasury officials

Continued on Page 20

The £ under Lawson's chancellorship



Chancellor faces difficult test; Lawson decides to ride out accident waiting to happen; Halifax raises rates; AA axes jobs, Page 9; Lex, page 20.

GM, Jaguar discuss joint ventures

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS of the US, the world's largest car maker, confirmed last night that it was considering taking a minority stake in Jaguar, the UK luxury car maker.

The GM move came three weeks after Ford of the US triggered hectic trading in Jaguar shares with an announcement that it planned to buy up to 15 per cent of Jaguar with the intention of becoming a "major shareholder."

Jaguar, which is seeking to preserve its independence and to fight off the "unwelcome" Ford initiative, said last night that it was in discussions with GM "concerning the possibility of the two companies entering into certain manufacturing, marketing, and other commercial joint ventures." Jaguar said GM was considering taking a minority interest

This statement came after the close of stock market trading in London. The company's share price had fallen by 46p on the day to close at 685p. Dealers said the market feared that an agreed GM stake might incline Ford to back away from an auction for the company.

It is understood that the two companies have been in discussions for about nine months as part of Jaguar's campaign to ensure its independence following the expiry of the UK Government's so-called golden share at the end of 1990.

Earlier parallel talks with Ford came to nothing when Ford made clear that it wanted to take majority control.

At present Jaguar's articles of association limit individual shareholders to a maximum stake of 15 per cent. This limit can only be changed Government consent and the approval of a 75 per cent majority of Jaguar shareholders.

Unlike the Ford initiative, which caught Jaguar by surprise, the GM move is being made with the backing of Jaguar's management. GM stressed that it was only considering a minority stake in line with Jaguar's wishes.

GM is thought to be aiming to make a more detailed announcement of its plans early next week, on the eve of the London motor show, Motorfair.

It is understood that GM is studying how to inject new equity capital into Jaguar, although a corresponding issue of new shares is complicated by the constraints of the Jaguar articles and the rights of existing shareholders.

At present Jaguar has permission to issue only 9m new shares or some 5 per cent of the equity without seeking the approval of shareholders.

In the short run it is thought that GM would only be seeking to take up to 15 per cent and that Jaguar is not seeking early removal of the Government's blocking golden share.

GM is thought to want to increase its stake to about 25 per cent, but no more than the 29.9 per cent level that would trigger a full bid, at a later date. Such arrangements would only provide a fragile defence of Jaguar's independence, however, if Ford were to continue its pursuit and mount a full bid.

GM said last night that it had notified the US anti-trust authorities of its intention to take a stake in Jaguar.

Lex; Page 20

Honecker says Communism must survive

By Leslie Colitt in East Berlin

MR Erich Honecker, the East German leader, yesterday compared the wave of protests in East Germany to China's pro-democracy uprising and warned that any attempt to undermine communism in his country would fail.

In a meeting with a visiting Chinese delegation, he said East Germany would continue "undeterred to perfect socialism" under the watchword of "continuity and renewal."

The official ADN news agency said Mr Honecker told Mr Yao Yilin, visiting Chinese Deputy Prime Minister: "Any attempt by imperialism to destabilise socialist construction, slander its achievements, is now and in the future nothing more than Don Quixote's futile running against the steadily turning sails of a windmill."

He was speaking less than two days after East Germany's 40th anniversary celebrations ended in fighting in the streets between security forces and thousands of people demanding political change.

The East German authorities were braced last night for renewed protest demonstrations in East Berlin, Dresden and Leipzig. Thousands of people in Leipzig were gathering at Nikolai Church where the regular Monday evening services become a focus for reform debates. Last week the service was followed by a protest march in the city centre, broken up by the police.

Meanwhile, the first signs of dissent in the party leadership emerged yesterday when Mr Hermann Kant, a long-time party stalwart who is head of the East German Writer's Union and a member of the Central Committee, openly criticised the leadership for failing to address the real problems causing the exodus of citizens to the West.

He called the mass escapes and emigration a "defeat" for East Germany.

Mr Kant attacked press propaganda which blamed West Germany for the exodus and called for "self-criticism" in an open letter to the Communist Youth newspaper, Junge Welt.

His remarks were the first public criticism of the party leadership by a Central Committee member and reflected growing pressure from rank-and-file Party members for reforms.

In East Berlin the second successive night of demonstrations went on into the early hours of yesterday morning as several hundred young protesters were set upon by police and special Interior Ministry troops with rubber truncheons and water cannon.

More than 100 demonstrators were taken into custody, bringing the total number detained since Saturday night's demonstration to more than 800, of which nearly half were still in custody late yesterday. More than 100 protesters were said to have been injured in the latest skirmishes began when some 3,000 people gathered in East Berlin's Gethsemane Church for the evening service held to gain the release of political prisoners.

David Marsh in Bonn adds: The West German Government yesterday accused the East German Government of brutally suppressing pro-reform protests and formally protested about East German hindrance of West German journalists trying to report the disturbances in East Berlin on Sunday night.

Mr Helmut Kohl, West German Chancellor, condemned the police crackdown and told reporters: "While the leadership celebrated with torch-light parades, goose-steps and military marches, the world witnessed the East German police and state security break up peaceful demonstrations with brutal violence."

He said the crackdown represented the "deep insecurity of the East German authorities."

However, Mr Kohl said West Germany would be ready to provide help for East Germany provided the communist state decided to introduce thoroughgoing political and economic reforms.

Party in Hungary completes change

Veteran Hungarian reformer Rezso Nyers, who led his country's Communist Party before it voted itself out of existence at the weekend, was yesterday elected President of the new Socialist Party by a nearly unanimous vote of a special party conference. His election, and the choice of a new party Presidium with a solid reformist majority, completes the transformation to a Western-style socialist party committed to pluralism. Page 20

Fininvest builds Saatchi stake but denies plans for takeover

By Alan Friedman in Milan and Alice Rawsthorn in London

MR Silvio Berlusconi's Fininvest group revealed yesterday that it had built up a shareholding of just over 1 per cent in Saatchi & Saatchi, the troubled international marketing group. Fininvest insisted, however, that it did not intend to mount a takeover bid.

Saatchi, once one of the world's most successful marketing groups, has been haunted by takeover speculation in recent months. The speculation reached a peak on Friday when its shares soared in frenetic trading and Mr Berlusconi was mooted as a prospective bidder. Saatchi's shares rose again – by 9½p at 349½p – in London yesterday.

Fininvest, the Milan-based holding company for Mr Berlusconi's media interests, said it had acquired 1.75m Saatchi shares "for investment purposes" and that it had "no intention of seeking to acquire Saatchi."

Mr Oliver Novick, an American-born executive who is in charge of corporate development for Fininvest, said the Saatchi stock had been bought in June and July through Goldman Sachs in London and its own mutual fund in Italy. "We bought the shares for investment purposes because it seemed like a good idea."

Fininvest is believed to have spent just over £5m on its Saatchi stake which, at yesterday's share price, would be worth just over £6m. It sold a small amount of Saatchi shares in August.

Mr Novick said Mr Berlusconi had "been contacted by any number of people who wanted us to launch a takeover of Saatchi." He added that Fininvest had not bought any Saatchi shares in the heavy trading of recent days.

Fininvest, the master Berlusconi company, employs a workforce of 25,000 people and had consolidated 1988 revenues of L8,000bn ($5.8bn). Fininvest is wholly owned by the Berlusconi family although Standa, its retail subsidiary, is quoted on the Milan bourse.

Saatchi confirmed yesterday that it had been aware of the Berlusconi holding since September when it issued a notice under Section 212 of the Companies Act. A Section 212 notice enables companies to identify the beneficial ownership of its shares.

Saatchi leapt into the limelight in the mid-1980s by staging a series of audacious acquisitions in the marketing sphere. It is now suffering from the slowdown in advertising growth in the US and UK. It has also encountered problems with its management consultancy interests.

The group is expected to announce a sharp fall in pre-tax profits from £138m ($220m) to about £75m when its results for the year to September 30 are published in early December. Saatchi is cutting costs at its agencies. The consultancy businesses have been up for sale since early summer but Saatchi is said to be finding it difficult to sell them.

Lex, Page 20

MARKETS

STERLING
New York lunchtime: $1.576
London: $1.579 (1.6025); DM2.975 (3.03); FFr10.1025 (10.28); SFr2.6975 (2.635); Y225.25 (228.75); £ Index 89.8 (91.4)

GOLD
New York: Comex Dec $367.5
London: $363 (363.25)

N SEA OIL (Argus)
Brent 15-day Nov $[illegible]

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime: DM1.887; FFr6.3885; SFr1.646; Y142.7
London: DM1.8845 (1.8915); FFr6.3975 (6.415); SFr1.6465 (1.645); Y142.65 (142.80); $ index (70.3)
Tokyo close: Y142.23

US LUNCHTIME RATES
Fed Funds 8[illegible]%
3-mo Treasury Bills: yield: 7.618%
Long Bond: 101[illegible]; yield: 7.994%

STOCK INDICES
FT-SE 100: 2,247.0 (−30.5)
FT Ordinary: 1,822.9 (−34.9)
FT-A All Share: 1,136.63 (−1.4%)
FT-A long gilt yield index high coupon: 9.75 (9.65)
New York lunchtime: DJ Ind. Av. 2,783.43 (−2.09)
Tokyo: Nikkei 35,376.35 (+187.00)

LONDON MONEY
3-month interbank: closing 14[illegible]% (14[illegible])

MARKET REPORTS: CURRENCIES, Page 44; BONDS, Pages 25, 26; COMMODITIES, Page 36; EQUITIES, Page 37 (london), 46 (World)

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Rising inflation in Brazil may be blessing in disguise

As Brazil's Presidential election approaches, economists fear only the advent of hyper-inflation will prod politicians to tackle the entrenched interests which rendered President José Sarney's regime powerless Page 6

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France launches protection plan for the Antarctic

By Ian Davidson in Paris

THE FRENCH Government yesterday publicly launched its proposal for an environmental protection system in the Antarctic, which it hopes would make the region a protected "Nature Reserve".

The main effect of the French plan is effectively to override the Wellington Convention for the Regulation of Antarctic Mineral Resource Activities (Camra), which was concluded by the member states last year.

The convention would impose strict limits on mineral exploration or exploitation, but the French Government now believes that it would be better to ban any mineral exploration.

The plan was proposed formally by Prime Minister Michel Rocard, when he opened the fifteenth consultative meeting of the 39 states which are signatories of the Antarctic Treaty.

The French proposal, which is being jointly sponsored by Australia, is that member states should hold a special negotiation on an environmental regime next year.

Mr Rocard said the negotiation should lay down the principles for regulating all human activity in Antarctica, set out means for preventing and correcting environmental damage, and establish permanent institutions for the environment in Antarctica.

A number of important countries have already signed the Wellington Convention, including the US, UK, China and the Soviet Union.

The British Government is strongly committed to the convention, which took six years to negotiate, and it looks with a jaundiced eye on the French initiative.

French sources, however, claim that they now have tacit support at least from Belgium, Italy, India and Chile, and appear confident that the 10-day-long Consultative meeting will, in the end, agree to a new environmental negotiation in 1990.

Since decisions can only be taken by consensus, the brunt of the argument will be over the mandate for next year's meeting.

The first decision of the meeting was to admit three additional signatories to the inner circle of Consultative Parties which take decisions. The addition of South Korea, Finland and Peru brings the total number of Consultative Parties to 25.

Far-right German party warms to National Front

By David Goodhart in Bonn

WEST GERMANY'S far-right Republican Party and France's far-right National Front have announced closer co-operation, after talks at the weekend in Munich, despite the traditional anti-German feeling of the French right and differences over the Italian-speaking minority in Austria.

Mr Franz Schönhuber, the Republican leader, said the talks had gone "wonderfully"; but in his own backyard he has faced a series of controversies since the Republicans' first success in the West Berlin elections in January.

Although the party again performed well in the recent communal elections in North Rhine Westphalia – winning more than 5 per cent in several Social Democrat ruled towns in the industrial Ruhr – there are growing doubts that they will attain the 5 per cent threshold required for Bundestag representation in the 1990 national election.

The Verfassungsschutz (Office for the Protection of the Constitution) has classified the Party as "extreme right wing" rather than unconstitutional but has postponed a decision on whether to keep a watching brief on it.

Poland takes Western agencies into new territory

Funding bodies are weighing the options in an unprecedented transformation, writes Stephen Fidler

SINCE THEY were presented with a dramatic plan of economic reform for Poland's beleaguered economy in Washington last month, Western economic policy makers have been considering what should be their proper role in encouraging the transformation.

They recognise that time is not on their side. Yet the magnitude of the economic difficulties – which according to one senior monetary official in Washington surprised even the new government – calls for a response which they recognise may set precedents for others.

Officials from Western governments, the International Monetary Fund and World Bank, readily acknowledge that they are in uncharted waters. No other socialist country has attempted so deep and so rapid a transformation to market-based economy. So although the EC, the US and others have started to earmark funds for the Poles, they have not moved far in identifying where the help should be directed.

The questions under consideration cover how much financial support Poland needs from the West and what is the best way to provide it, what kind of technical, financial and managerial know-how will be needed and, last, how might it be possible to draw a ring fence around Poland so that other highly-indebted countries do not claim equal treatment.

Poland's problems are intensified by its foreign debt, and the recognition that unless a large part of it is forgiven, Poland will never emerge.

The country's hard currency foreign debt amounts to about $39bn – $26bn to creditor governments grouped under the auspices of the Paris Club, $9bn to the commercial banks and the rest to others, including Eastern bloc governments.

If Poland were to service all these debts, it would absorb 90 per cent of its export earnings. Instead, actual debt servicing has been running at closer to 25 per cent of exports. Its problem is that most of this debt is owed to Western governments.

Unlike the banks, which are being encouraged to write down their debts under the new Brady debt initiative launched earlier this year, Western governments have never conceded debt write-offs for export credit loans, except in the case of the poorest sub-Saharan African countries.

The Paris Club is, however, willing to reschedule both principal repayments and interest. If this is done, it means that Poland's debts will increase annually by the amount of interest it has left unpaid. In other words, to keep its debt service burden even at the current untenable levels, its exports will have to grow at a faster rate than the rate of interest. Otherwise, it will never catch up.

Western officials privately admit this is a severe quandary. While some concede debt forgiveness appears essential, if they grant it to Poland, then there would be an endless list of other middle-income debtors which would demand similar treatment.

It has led to the conclusion that except for loans from the IMF and World Bank, grants are the obvious way in which new Western funds will have to be channelled into the country. Where this money should be applied and technical assistance is most needed, therefore depends on Poland's economic priorities.

In the short run, Poland's main problem is to avoid the emergence of hyper-inflation. While some short-term aid will probably be required to cushion the impact, this is being viewed as largely an issue of domestic monetary policy, preferably while the electorate's honeymoon with the new government remains.

The longer-term problems facing Poland, and one of the main questions for the foreign aid to address, surround the slow "supply response" most economists are predicting. It will probably be a long-time before any benefits show through to a population that will grow increasingly impatient with no obvious signs of progress.

Forty years of risk aversion are not going to be transformed into entrepreneurial behaviour overnight. Polish enterprises have in the past been able to elect not to pay taxes and have had guaranteed access to bank loans.

Low maintenance spending has led to deterioration of infrastructure and deep ecological problems which will inhibit economic growth.

Then there are the problems of unemployment and spare labour capacity in the wrong place. Many state enterprises will be closed down as loans to loss-making enterprises from the banking system stop. The coal industry will have to be pared back. Yet, the resultant problem of unemployment and displaced workers will have to be addressed without a huge expansion in the budget deficit.

Very large cash balances have built up in the hands of the people. As moves are made towards a market economy, demand has to be allowed to let off steam through imports, which preferably promote investment rather than consumption.

One obvious target for Western aid, in the view of some officials, is therefore to help underwrite an unemployment and rehousing fund, taking pressure off the budget deficit.

Many are keen also to see large scale privatisations. This has the potential to do several things: encourage entrepreneurial management, divert cash balances from consumption into investment spending and provide a channel for foreign investment. Debt-equity swaps could also help to reduce commercial debt burdens as well as bring in foreign investment and expertise.

In the words of the World Bank: "Poland lacks the kind of financial intermediation system that promotes sound investment selection and financial discipline at enterprise level."

The lack of a developed financial system means there are essentially three investment alternatives for Poles: bank deposits, consumer goods or foreign currency. This array of choices must be expanded.

Bankers with the means to make commercial judgments are not made overnight, and here there is clearly a role for Western managerial advice, perhaps with the encouragement of joint ventures with Western financial institutions.

One problem already apparent is the potential for confusion if the western response is not co-ordinated. Bilateral and multilateral initiatives threaten to overlap and confuse. Yet while there is no demand for a new international agency, it is not yet clear which of the existing ones has the wherewithal and the broad support to take over that role.

In this as elsewhere, Western officials are aware of the problems but less sure of the answers. "It's all new to us. I don't know what's going to happen," admitted one last week.

Finance ministers of the European Community yesterday took the formal decision to guarantee European Investment Bank loans for Poland and Hungary. Strictly speaking the EC initiative has yet to be endorsed by the EIB's board of governors – but since that comprises virtually the same people the final go-ahead is considered certain.

EIB aid to East bloc rebels 'will go to infrastructure'

By Tim Dickson in Brussels

THE FIRST loans to Poland and Hungary from the European Investment Bank are likely to be targeted on infrastructure and industrial projects. Terms, conditions, and the overall scope of the EIB programme will be heavily influenced by the "macro-economic" conclusions of the International Monetary Fund. But an important feature of the operation will be close co-operation with, and possible co-financing alongside, the World Bank.

These points emerged from an interview with EIB president Mr Ernst-Gunther Broder and the bank's new British vice-president Mr Roger Lavelle. They were their first public comments since the European Community announced its intention to make available up to Ecu1bn (£685m) in new loans for the two reforming Eastern bloc countries.

The money involved is part of a wider international aid effort being co-ordinated in the West to help Poland and Hungary breathe new life into their economies – but the proposed EIB lending programme represents a significant new challenge for an institution whose chief activity is the provision of long-term project finance for the already developed countries of the EC.

Created by the Treaty of Rome in 1958 to finance capital investments on a non-profit making basis, the EIB's main purpose is to promote the "balanced development" of the European Community. It operates as a bank, raising the bulk of its financial resources on world capital markets – with the considerable benefit of its Triple A rating – and lending most of its money to projects in the less-favoured regions of the EC.

The EIB already plays an important role in implementing the EC's development policy, both under co-operation agreements with 12 countries in the Mediterranean region (including Yugoslavia), under the Third Lomé Convention with 66 African, Caribbean and Pacific countries, and through more ad hoc arrangements where projects are clearly identified as benefiting both a "third" country and member states. Of the bank's total Ecu10bn lent in 1988, around Ecu700m was to developing countries.

In both "models" member states of the EC, using the EC's own budget (for the Mediterranean countries) and the directly-financed European Development Fund (for Lomé) provide significant sums of "risk capital" enabling the EIB to "soften" the terms and conditions of its loans.

Mr Broder and Mr Lavelle insist that in the case of Poland the amounts which will be advanced, the kind of projects and the conditions are still "completely open".

"The kind of projects are undefined but we would tend to think as far as we are concerned of two sectors – infrastructure and industry – as being the first type of approach," says Mr Broder.

Much will depend, they believe, on the ideas and thoughts of other institutions such as the IMF and the World Bank.

Says Mr Lavelle: "The World Bank has done a lot of thinking about the difficult process of transition to a market economy. We will certainly want to co-operate with them in general terms or through specific investments. We know them as a valuable partner in other regions of the world."

As for the IMF, Mr Broder explains that the EIB "is certainly looking forward to getting its views as far as the macro-economic situation is concerned".

"We expect the IMF to proceed quickly. We anticipate quite a fast pace which is what the Polish authorities want."

The IMF's conclusions will certainly be important in determining the conditions of the Poland and Hungary programme – "we want to develop the instrument step by step and tailor make it", says Mr Broder – but the EIB president adds that the bank would expect to concentrate on "feasible and self-supporting projects".

Though Mr Lavelle stresses that at this stage "we don't know the mix" of lending from the EIB's own resources and any risk capital provided by the Community he clearly doubts whether the Lomé model – "where only some countries can afford to repay commercial loans" – is an appropriate one for the new process.

"What we are trying to achieve here is to turn a country with a lot of potential, resources, and educated workforce into a creditworthy country. The situation with Lomé is not comparable. We need to be careful about transferring techniques from one continent to another."

EUROPEAN NEWS

Pechiney puts pressure on Brussels over smelter plan

By William Dawkins in Paris

PECHINEY, THE world's third largest aluminium producer, has threatened to scrap a *planned FFr4.5bn (£437m) plant* unless the European Commission clears it from allegations of illicit state aid by the end of the month.

Mr Jean Gandois, chairman of the French nationalised group, has said he will abandon the scheme unless the Commission rules against claims, lodged nearly a year ago by British Steel, that the project infringes EC competition rules, or at least decides *that only minor changes are* needed.

The group has invested FFr600m in the early phase of the project, which would create 650 jobs in the high unemployment area of Dunkerque and be the group's biggest smelter, producing 200,000 tonnes of aluminium annually.

Mr Gandois has now decided that Pechiney cannot afford to risk more while the project's future is uncertain, say company officials. British Steel, backed by a West German tinmakers' association, complained to Brussels nearly a year ago that the plant was being offered electricity at an unfairly low price from a nearby nuclear power station owned by Electricité de France (EDF), the public utility.

Threats of this sort are common in rows over EC state aid rules. Yet this project is especially sensitive because it is *EDF's first significant attempt* to entice big industrial users to use up its surplus of nuclear generated electricity – the legacy of an over-ambitious power station building programme.

EDF officials say they are hoping for up to five similar deals and are already talking to "several" French and foreign companies, believed to inclnde a leading Swdish paper producer.

At Dunkerque, EDF would take a 49 per cent stake – with Pechiney taking the rest – in a management company that would provide the plant's working capital. EDF would sell power at a price based on its cheapest export rate, but this would rise with the plant's profits. The cash for construction of the smelter itself would come from Pechiney plus institutional investors, who will be approached once a decision has come from Brussels.

In a separate move, Pechiney has announced a FFr560m plan to increase the capacity of a rolling mill at Neuf-Brisach in eastern France from 265,000 tonnes to 350,000 tonnes annually. This makes it one of the world's four largest mills, and it will process a large part of Pechiney's 360,000 tonne annual capacity.

Portugal may limit foreign holdings in privatised companies

By Patrick Blum in Lisbon

THE PORTUGUESE Government is studying proposals to limit the influence of foreign investors in newly privatised companies. The aim is to help create a strong nucleus of Portuguese shareholders to ensure that important companies, especially financial insti*tutions, remain in domestic* hands.

One proposal foresees privatisations being undertaken in *separate tranches* with a prequalifying round during which the Finance Ministry would select an appropriate "hard *nucleus*" of Portuguese investors.

After the initial euphoria following spectacularly successful privatisations this year, the authorities have become concerned about the future ownership of companies. Each privatisation has seen strong demand from international investors, leading to fears that some large concerns could come under foreign control.

The outcry in some sections of the press about "the country being up for sale," is putting political pressure on Mr Anibal Cavaco Silva's Social Democratic Government, which is committed to selling off state assets seized during Portugal's 1975 revolution. It will shortly present new legislation to facilitate privatisations, but it also wants to safeguard Portuguese interests.

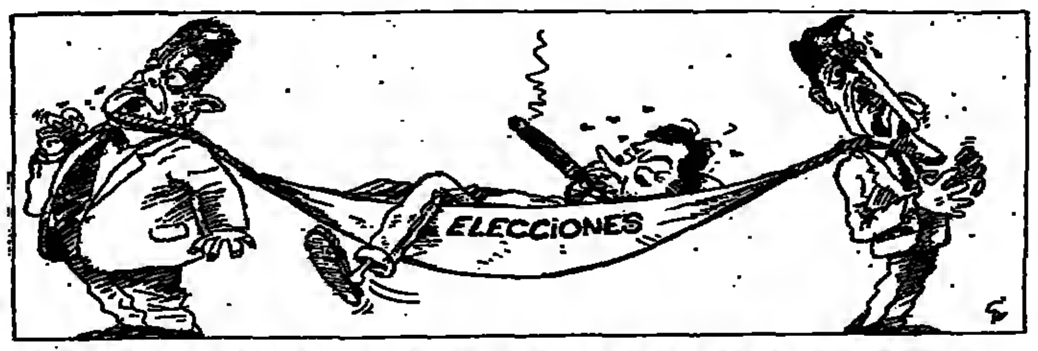
There is already a 10 per cent limit on the amount of shares foreign investors can buy in companies being reprivatised. This means a maximum foreign holding of 5 per cent because in each privatisation to date, only 49 per cent of shares were offered to the public. However, this will change next year as the Government sells its remaining stake in some companies and others come up for privatisation, inclnding Banco Portugues do Atlantico, the country's largest state-owned bank.

The Government's problem is that foreign groups have sought, with some success, to circumvent the 10 per cent limit by buying shares through local subsidiaries or making alliances with Portuguese companies.

Big foreign gronps have gained significant positions in the part-privatised Banco Totta e Acores and in insurers Alianca Seguradora, with the objective of winning representation on these companies' management boards.

Dull, perhaps, but that's part of being a normal democracy

Peter Bruce previews a predictable Spanish election



Gallego & Rey in El País sum up the election: Gonzalez is centre, Fraga, left, and Suárez right

CAMPAIGNING begins today in Spain's fifth democratic election since the death in 1975 of General Francisco Franco. The *election is being held on October 29* so what is about to happen will, mercifully, be brief.

Prime Minister Felipe *González's Socialist Party will win*, probably, though not certainly, retaining its overall majority in the Cortes. The right-wing Partido Popular (PP) will come second, followed by either the communist Izquierda Unida (IU) or former Prime Minister Adolfo Suárez's populist Centro Democratico y Social (CDS). Voters will turn out in fewer numbers than ever.

Spanish Elections

But the result is not really the issue: whether to rejoice in or weep for the almost complete absence of ideas, ideology, debate or even passion in Western Europe's youngest democracy three weeks ahead of an election is.

Alvaro Gil Robles, the government-appointed Public Ombudsman, welcomes the calm. "I'm glad to say it, but I don't think Spain is the kind of place that foreign journalists can win prizes writing about any more. We have become normal. The important thing is to be able to vote. If people don't have any problems, they may not bother."

The campaign will parody what many Spaniards and their liberal friends abroad once hoped Spanish democracy would be like. The parties – there are no individual candidates as such – will each try to buy votes. Like the good marketing men they have become, the Socialists have packaged themselves as airline pilots – handsome, going slightly grey, dependable, technically superior and fatherly. Daddy, says the message, is *going to take you flying.*

The fact that they have been hurried into calling the election eight months early by a deteriorating economy and the first hints of a fall in property prices in the cities has been quickly forgotten.

This was easy, for if the Socialists have become arrogant, aloof and even corrupt during their seven years in power, their opponents are to blame. Mr Suárez's years out of power have put so much distance between himself and reality that he now refuses to attend parliament unless Mr González is there as well. Mr Suárez, who will do anything for a vote, is proposing this time to scrap military service and to pay unemployed youths a minimum wage.

The hard sell has already reached its apotheosis with Mr José María Ruiz-Mateos, the businessman facing fraud charges in relation to the expropriation of his Rumasa banking and industrial empire. He won two seats in the European Parliament, and this time is promising to run Spain from the Basque country if he becomes Prime Minister.

Mr José María Aznar, the personable young man chosen by the PP's founder, the Franco-ist minister Mr Manuel Fraga, has said hardly a word about the economy so far. His manifesto promises to privatise practically all of the state's industrial interests, but it is hard to be sure he means it. Instead, Mr Aznar has quickly thrown himself into gimmickry.

Last weekend he threatened not to stand at the head of PP electoral lists if the Government did not stop manipulating the television news. The newspapers that support him manipulate news all the time but only 8 per cent of Spaniards read newspapers and, with all the other opposition parties complaining about the state television's coverage of the elections, he is trying now to lead the crusade.

El País, the prestigious Madrid daily newspaper, said yesterday its research showed that, *yes, the Socialists are getting* much more exposure on TV then the opposition and that news about Spain was devoted in large part to what a wonderful and healthy place it was. The truth, however, is that were more news time devoted to the opposition much of it would have to be negative simply because they are so weak and fractious.

According to most polls published so far, the PP will win about 22 per cent of the vote, the CDS about 8 per cent, the IU, winning support in the large cities, could rise sharply to 10 per cent and the Socialists around 40 per cent.

Mr González's ministers have made it clear that even if they lose their overall majority, they will rule alone. This could easily be done by buying off one of the smaller nationalist groupings in the Cortes.

The Socialists, though, are trying hard to hold onto the majority. For the first time, the party has instructed its people on its electoral lists to get on to the streets and campaign door to door.

This will come as a great surprise to Spanish voters, most of whom have never had an opportunity, under the proportional representation system, actually to talk to the people who are supposed to represent them.

Ozal keeps his counsel on presidential aspirations

By Jim Bodgener in Ankara

THE ELECTION for a new President in Turkey is looming with no clear statement of intent from Mr Turgut Ozal, the Prime Minister. Parliament votes on a replacement for President Kenan Evren on November 9 and formal declarations of candidacy must be made in the next nine days.

Only Mr Kasim Gulek, an octogenarian with a venerable political past but considered far too old, has put his name forward so far. Mr Ozal is increasingly likely run, however, despite the dismal rating in opinion polls of his ruling Motherland Party (ANAP) two years into a *second* term of government.

All he has said directly is that the next President will *come from Parliament and* probably from ANAP. However, last week he declared his eligibility in the mass daily newspaper Hurriyet, and then ruled out choosing a candidate with either of the two other parliamentary parties, the main opposition Social Democratic Populist Party, and the True Path Party.

They have threatened to boy*cott the process, accusing* ANAP of not having a significantly popular mandate anymore. Its support shrank to *13.5 per cent in a recent poll.*

The Government's 289 seats in the 450-seat Parliament should guarantee that Mr Ozal wins on the third round of voting, when only a simple majority is required.

It is unlikely that the election will go to its fourth and final round, which must be followed by a general election if there is no outright winner.

But Mr Ozal is likely to wait until the very *last* day and probably the last hour before revealing his decision, according to Mr Mehmet Kececiler, a leading contender for the premiership and ANAP chairmanship in the event of an Ozal presidency.

Other possible replacements for Mr Ozal as Premier and party chairman are Mr Ekrem Pakdemirli, the Finance and *Customs Minister*, Mr Hasan Celal Guzel, the former Education Minister, Mr Husnn Dogan, the former Agriculture Minister, and the ambitious young Foreign Ministsr, Mr Mesut Yilmaz.

The latter is a favourite of the party's liberal wing, but would be vigorously opposed in the party congress soon after Mr Ozal's elevation by Mr Kececiler, who leads the "holy alliance" of Islamic conservatives and right-wing nationalists which account for around a quarter of ANAP's parliamentary group.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, *F. Barlow, R.A.F. McClean*, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Yugoslav call for multi-party system

Opposition groups in Yugoslavia have called for a multi-party democracy and an amnesty for all political prisoners, the Yugoslav news agency Tanjug said yesterday, Reuter reports.

About 30 members of groups from Slovenia, Croatia and Serbia, meeting in the Slovenian town of Otocec ob Krki on Sunday, also called for the offence of *slandering the state* to be abolished, Tanjug said.

A score of opposition groups have sprouted up, particularly in Slovenia and Croatia, over the past year.

Iraqi ministers fired as strains show in economy

By Victor Mallet

PRESIDENT Saddam Hussein of Iraq has sacked his Finance Minister and his acting Agriculture Minister, highlighting the strains on the Iraqi exchequer as the country attempts to implement economic reforms, rebuild its industry and manage its foreign debt.

Mr Hikmet Mukhalif was dismissed from the Finance Ministry at the weekend and replaced – for the time being – by Mr Mohammed Mehdi Saleh, a fellow-reformist who will also retain his existing post of Trade Minister. Mr Saleh is due in London in a fortnight.

No one has yet been allocated the agriculture portfolio following the dismissal of Mr Abdullah Badr Danouk. President Saddam demoted Mr Mukhalif to a post in the Planning Ministry and Mr Danouk to a teaching position.

Saddam: ambitious plans

The Iraqi news agency, which announced the sackings, gave no reasons for the decision, but debt management and the poor state of Iraqi agriculture are two big difficulties faced by the leadership after the war with Iran.

Iraq's foreign debt is estimated at between $55bn and $80bn and food imports cost some $2bn a year. Repayment arrears and the reluctance of foreign companies and governments to make further commitments have begun to hamper President Saddam's ambitious industrial development plans.

Mr Mukhalif is known to have wanted to tackle economic problems openly, and he was in favour of publishing economic statistics which have hitherto been kept secret.

But he seems to have been unable to resist demands for higher spending from his superiors, leaving him with budget and current account deficits, high inflation, and an ever-increasing debt burden. According to one theory, Mr Mukhalif was too frightened to tell the President that Iraq could not afford all the projects it was undertaking.

Mr Mukhalif and Mr Danouk may in any event be useful scapegoats for President Saddam, who frequently reshuffles his technocratic ministers.

Iraqis complain bitterly about the high prices which have accompanied farm privatisation and economic liberalisation. The Finance and Agriculture Ministries also figured in the scandal involving Banca Nazionale del Lavoro of Italy and the granting of $3bn of credits for Iraq by the bank's branch in Atlanta, Georgia.

Britain, meanwhile, undeterred by Iraq's debt crisis or the detention in Iraq of a British nurse and a journalist for The Observer, is sending Mr John Wakeham, the Energy Secretary, to Baghdad at the end of this week.

Mr Wakeham is leading a delegation of UK companies – including British Petroleum, British Gas and British Steel – attending an oil, gas and petrochemical seminar.

Britain continues to provide credit lines for exports to Iraq and is a favoured creditor nation when it comes to repayment. In the vital oil sector, many payments are in any case made in cash or oil.

Rafsanjani proposes sale of state-owned factories

By Kamran Fazel in Tehran

THE Iranian Cabinet has proposed that state-owned factories should be sold to the private sector and should be allowed to borrow abroad in a bid to revive the country's shattered industry.

President Ali Akbar Hashemi Rafsanjani said on Iranian television on Sunday that the proposal to sell factories to the private sector – with their own employees receiving priority – would be included in a revised five-year plan to be presented to the Majlis (parliament) next week.

The President gave no details. But candidates for privatisation would include scores of factories nationalised by the Islamic Republic after the 1979 revolution.

It is doubtful whether the Government will easily find buyers for these plants, which have been poorly managed and suffer from persistent shortages of spare parts and raw materials.

Mr Rafsanjani admitted recently that Iranian industry is working at between 20 and 30 per cent of capacity. Potential investors are also likely to be deterred by the lack of adequate legislation safeguarding private investment.

The new five-year plan amounts to a substantial revision of an earlier draft put forward last year by Mr Mir Hussein Mousavi, the former Prime Minister who favoured state control of the economy.

Three airports to be built in the Hong Kong region

By John Elliott in Hong Kong

THREE airports are to be built within a radius of 60 miles in the Pearl River Delta during the 1990s – and China is using two of them, located in Hong Kong and Macao, to try to boost confidence in the British colony and other parts of the region following the Tiananmen Square crisis.

Plans for Hong Kong's new two-runway international airport, to be located at Chek Lap Kok, west of the island of Lantau, will be approved by the colony's executive council today. It will form part of a morale-boosting package of infrastructure projects costing around HK$125bn at current prices (£9.9bn) which will be announced tomorrow by Sir David Wilson, the governor, in his annual address to the Legislative Council.

The projects will include extensive new port facilities and road and rail links, with bridges, tunnels and land reclamation. The airport's first runway is scheduled for completion by 1997 when Hong Kong reverts to Chinese sovereignty.

Last week the Bank of China said in its quarterly economic review that these and other projects costing a total of HK$200bn "carried far-reaching and favourable effects". It approved the Hong Kong Government's idea that some of the airport financing could come from a special land fund, now totalling HK$14.8bn, which is being built up to help finance the first post-1997 administration.

The article is significant because it is being seen as a response to demands for China to rebuild confidence in Hong Kong following the June crisis. It said such projects would strengthen Hong Kong's status as a financial centre.

"Attracting foreign capital participation" should be part of Hong Kong's development strategy because it would enhance its "characteristic as an international commercial city", said the Bank of China. Private-sector participation would help to avoid excessive interference and participation by government officials.

The article also said that Hong Kong should avoid using a substantial part of its accumulated reserves which are expected to rise to HK$75bn this year. The reserves were needed in the colony's "particular circumstances" to help maintain exchange rate stability and to finance other developments.

Sir David is expected to announce that a new provisional airport authority will be set up early next year as a statutory corporation which would seek private-sector participation after completion of a master plan. Schroders Asia, the Government's financial advisers on the project, have said that the project is viable for international financing, despite its 1997 initial opening date. If the airport costs around HK$40bn-HK$50bn, 25 per cent might come from government equity including the land fund, and 75 per cent from debt.

The airport is urgently needed because the single runway at Hong Kong's existing Kai Tak airport will reach saturation point in 1991 or 1992, depending on growth rates. With 15m passengers a year, this is the world's sixth busiest airport.

Passenger traffic was growing at 20 per cent annual rate earlier this year, but this has dropped to 11-12 per cent in the past two months following the China crisis. This could help defer a controversial decision about whether to turn aircraft away or shorten an existing 11.30pm-6.30am curfew after the saturation point is reached.

The region's other two new airports could help ease Kai Tak's load. The airport planned for the Portuguese enclave of Macao, 40 miles from Hong Kong, would save some tourists and other passengers travelling first to Hong Kong.

A domestic airport with a 3.4km single-runway which is being built in China's special economic zone of Shenzhen, adjacent to Hong Kong's New Territories, could take some of Kai Tak's China-bound passengers after its scheduled opening date of 1991-92.

At present, Macao has no airport and relies on Hong Kong. It is planning a 3km runway to international standards for completion within the next four years at an estimated cost of HK$4bn.

A group of Chinese corporations, including the Bank of China, have a one-third stake in the Macao International Airport Company. Local officials believe China regards this as an important demonstration of its continuing commitment to international joint ventures.

The Macao Government has a one-third stake and the final third is held by STDM which is controlled by Mr Stanley Ho, a Hong Kong- and Macao-based gambling and transport tycoon who last week bought a 50 per cent stake in Air Hongkong, an air cargo company.

The decisions to go ahead with all three airports finally bury earlier ideas for a shared dual-nationality airport somewhere near the Hong Kong-China border. The politically most powerful argument against such a project was that it could have endangered the air traffic rights of Cathay Pacific, Hong Kong's flag carrier which is controlled by the Swire family. Officially, the idea was abandoned because it would have disrupted a wildlife sanctuary used by birds migrating to Siberia.

China refuses to accept return of illegal immigrants

By John Elliott

CHINA HAS refused to accept the repatriation of over 100 illegal immigrants from Hong Kong during the past two days. This moves illustrates currently tense relations between China and Hong Kong.

It is believed to be a retaliation for Hong Kong allowing Mr Yang Yang, a Chinese swimmer who is now being fêted by overseas Chinese dissidents, to fly to the US last week instead of sending him home.

Under a seven-year agreement, China automatically takes back on average 68 people a day who have illegally emigrated to Hong Kong, without vetting the cases.

For the past two days, however, their trucks have been turned back at the border by Chinese guards. Hong Kong government officials will today investigate reports that China intends to disrupt the flow by checking the history of each individual.

China's decision on the immigrants follows a tense meeting of the Anglo-Chinese Joint Liaison Group on Hong Kong in London at the end of last month. At that meeting, China refused to accept Britain's demand that it should take measures to restore the confidence of the people of Hong Kong following the violent suppression of students' demonstrations in Tiananmen Square in Peking in June. Specifically, the Chinese declined to give an undertaking that units of the Chinese People's Liberation Army should not be stationed in Hong Kong after the colony is handed over to China in 1997.

S African interest rates edge higher

By Patti Waldmeir in Johannesburg

THE South African central bank said last night it was raising its bank rate by 1 percentage point to protect the capital account of the balance of payments.

It was the third interest rate rise this year, taking the South African Reserve Bank's discount rate to 18 per cent. The move followed last week's interest rate rises in several European countries.

Mr Chris Stals, the Reserve Bank governor, said these rises had increased the already large differential between real interest rates overseas and those in South Africa. Relative to other countries, South Africa's low level of real interest rates would put pressure on the capital account of the balance of payments, the exchange rate and eventually on the rate of inflation, Mr Stals said.

The maintenance of positive real interest rates was even more important for South Africa than for continental Europe or the UK, Mr Stals said, to fight inflation and protect the balance of payments.

In addition to the rise in bank rate, which takes effect tomorrow following today's public holiday, the Bank would also increase rates at which it provides accommodation to the market by 1 percentage. However rates on all forms of overnight loan would rise by 1.25 percentage points, with overnight loans covered by liquid bankers' acceptances rising to 21.25 per cent.

Mr Stals, who took over as Reserve Bank governor two months ago, has made the fight against inflation his highest priority.

Japanese 'lack skills for aid programmes'

By Stefan Wagstyl in Tokyo

JAPANESE government officials are concerned they lack the experience and manpower to organise the country's massive overseas aid programme properly.

Japan last year was the world's second largest provider of Overseas Development Aid – disbursing $9.13bn against the US's $8.78bn, according to the Ministry of Foreign Affairs' annual ODA report. But officials say Japan has only 1,396 people involved in aid distribution against 4,340 for the US.

"We do face a challenge," Mr Takanori Kitamura, director of the ministry's economic co-operation bureau, said last week. Japan had to improve the efficiency of aid distribution and its quality. Programme planning, policy dialogue with recipient countries, implementation and post-project evaluation – all these areas had to be improved. But Japan lacked development specialists, he said.

The bureau was trying to get an increase in manpower, but it was difficult to get approval when the Government wanted to slim the overall size of the bureaucracy. Similarly, the ministry wanted to establish an International Development University but it needed agreement from the Ministry of Finance, said Mr Kitamura.

Mr Kitamura denied claims that contracts awarded for aid projects unduly favoured Japanese companies. Like other countries, Japan restricted to Japanese companies participation in grant-aided schemes and those funded by tied loans. But for schemes funded by untied loans – 70 per cent of the total – there were no restrictions on foreign companies.

Japan intended to increase aid and would probably become the world's largest official donor, he added. But Japanese private aid remained small. Charities and other organisation gave less than $100m last year, against some $1.6bn given by American groups to the Third World.

US highlights sunny side of Tokyo relations

By Ian Rodger in Tokyo

A SENIOR US diplomat yesterday described Japan as a "close friend" and "staunch security ally" of the US and urged people not to let nasty bilateral trade disputes corrode a complex relationship that is becoming increasingly important for world peace and prosperity.

"Our goal is to combine our strengths, our talents and our resources and to act as a positive force for a more peaceful and prosperous world," Mr Robert Kimmitt, undersecretary of state for political affairs, said in a speech to foreign journalists in Tokyo yesterday that was aimed to amplify the idea of a "global partnership" between Japan and the US advanced by Secretary of State James Baker in June.

Coming at a time when many US politicians and commentators are referring to Japan as a threat and calling for a much tougher stand against Tokyo on trade issues, Mr Kimmitt's remarks were something of a surprise.

Japanese government and corporate leaders are still reeling from the angry reaction last week in the US to Sony Corporation's acquisition of Columbia Pictures, a move one US magazine referred to as buying the soul of America. They are also bracing themselves for the visit to Tokyo later this week of Mrs Carla Hills, the US Trade Representative. Mrs Hills is among those who have been taking a tough attitude lately to trade talks with Japan.

If nothing else, the week is likely to provide the Japanese with a better understanding of the increasingly emotional debate over policy towards Japan going on in Washington between the so called bashers and the apologists.

Mr Kimmitt, who as much as admitted he was in the latter camp, was in Tokyo for regular discussions on regional, international and security issues. He said that in political affairs, "the co-operation between our two countries today is better and closer than it has ever been". Japan and the US were co-operating successfully on security matters, foreign policy issues, such as Eastern Europe and drugs and on aid to developing countries.

He also argued that the bilateral economic relationship was a source of strength for the world as a whole.

Jordan lifts ban on imports of luxury goods

JORDAN yesterday lifted a ban on imports of luxury goods as officials reported an increase in exports and an improvement in the country's foreign reserves, Lamis Andoni reports from Amman. Commodities affected range from cars and electrical appliances to artificial flowers.

The ban was imposed last November in an effort to save the country's depleting foreign reserves and to boost Jordanian exports.

But yesterday Mr Basil Jardaneh, Minister of Finance, announced that Jordan's exports – mainly of phosphate, potash and fertilisers – had increased by 20 per cent in the first half of this year from the same period in 1988, while imports declined by 17 per cent. He expected exports to reach $1.2bn this year. The improvement shows that the sharp fall in the value of the dinar in the last year is already having a salutary effect. The lifting of the ban is believed to be part of an economic readjustment plan being implemented in co-operation with the International Monetary Fund. He said that foreign reserves, which had declined almost to zero last year, were building up to a level higher than that required by the IMF.

Fresh twist in Bofors scandal

By K.K. Sharma in New Delhi

FURTHER damaging disclosures about payments of large commissions to an Indian agent by Bofors, the Swedish arms company, were made by The Hindu newspaper of Madras yesterday when it published documents on a secret part of a report by the Swedish National Audit Bureau.

The disclosures will again embarrass Mr Rajiv Gandhi, India's Prime Minister. He has consistently denied that payoffs had ever been made to any Indians by Bofors which was awarded a controversial $1.4bn contract for supply of howitzers to the Indian army in 1986 when Mr Gandhi was Defence Minister.

The Hindu has been in the forefront of the campaign to unearth the truth about payoffs by Bofors ever since charges were first made in April, 1987, that Indians had received commissions from the Swedish company despite statements by Mr Gandhi and the Indian Government that no middlemen were involved.

Further disclosures are expected to be made by The Hindu tomorrow, the day the Indian Parliament meets for a four-day session, probably the last before it is dissolved and fresh elections held. The Bofors deal is certain to dominate the session.

Documents published by The Hindu yesterday disclose that the Bofors officially admitted to the Swedish National Bank in December, 1986, that the "principal beneficiary" behind Svenska Inc, one of the three recipient front companies paid secretly in Switzerland, was "an Indian who has been an agent for Bofors for 10 to 15 years".

The agent is not named in the documents but The Hindu concludes that "this is a clear reference to Mr Win Chadha, an Indian national and resident who has represented Bofors in India from the 1970s". The controversial Mr Chadha left India after the Bofors crisis first broke in 1987 but returned for questioning by official agencies last year after which he was exonerated.

Peace talks failure returns the spotlight to intifada

Palestinian uprising's leadership is torn between escalation and further hardship, writes Hugh Carnegy

AS THE prospects receded last week of a breakthrough in efforts to get Israel and the Palestinians to talk peace, the focus returned to the *intifada*, the uprising in the occupied territories.

The stones against bullets image of the uprising remains in place, but for how long?

Few people, even among Israelis, suggest the uprising, the second anniversary of which is two months away, is about to be extinguished by the Israeli army, despite the deaths of more than 670 Arabs during its bloody course.

However, the lack of tangible political progress and the simultaneous, relentless effect of the conflict on the 1.7m Arab inhabitants of the West Bank and Gaza Strip pose awkward questions for the "Unified Leadership", the anonymous underground trying to guide the intifada along a path whose goal of a Palestinian state is not much more clearly in prospect than it was in the early days.

In recent months, the intifada has been marked by several features that can in part be put down to the wearing effects of time.

The Israelis have made much of a wave of vicious killings of alleged collaborators. There have been more than 100 such murders since the intifada began. At times this year, the killings have appeared to be getting out of hand. Sometimes they are used as a cover for the settling of political and personal scores, raising the spectre of a fragmentation of the otherwise impressive unity of the intifada.

An unremitting policy of arrests by the authorities has netted thousands of activists. Their place is usually quickly filled, but in some areas there is an inevitable effect. The detention during the summer of hundreds of activists from Hamas, the Moslem fundamentalist organisation, clearly dampened its activities in Gaza.

The decline in international media coverage of the intifada this year has been important from the point of view of keeping up pressure on Israel.

Last week provided an example of the dilemma facing the leadership, an inevitably fluid coalition of Palestine Liberation Organisation factions ranging from chairman Yassir Arafat's mainstream Fatah group to more radical left-wing organisations.

Just as speculation rose that an attempt by President Hosni Mubarak of Egypt to bring Israeli and Palestinian delegations together for talks might bear fruit – later to be dashed by the Likud party of Prime Minister Yitzhak Shamir – the Unified Leadership issued a leaflet calling for an escalation of the intifada, including an unprecedented five general strikes in six days.

The leaflet was a response to recent tough Israeli actions in the territories, in particular the confiscation of hundreds of thousands of dollars worth of personal property in the West Bank town of Beit Sahour where the residents are refusing to pay Israeli taxes.

Dr Saeb Erakat, an academic and journalist from Jericho and hardline supporter of the intifada, says the latest leaflet was evidence that those within the leadership inclined to place emphasis on the political process had been pulled back into line by pressure from below – from the local "popular committees" which are at the sharp end of the uprising – for a harder stance.

Certainly it is hard to persuade anybody in the villages and refugee camps whose daily experience is of confrontation with the Israelis that peace plans in Cairo or elsewhere mean much.

"It is the Israelis who obstruct peace. They don't have a bit of an intention to make peace with the Palestinians," said a Beit Sahour resident as he sat on the floor last week where his confiscated sofa once stood.

But simply adopting a more confrontational attitude is tricky in itself. The special leaflet called for renewed efforts to enforce a boycott of work in Israel by Gazans in protest at new magnetic strip identity cards. Yet the month-old boycott had caused severe hardship and that very day senior leaders there were authorising a return to work. They were privately critical of the leaflet.

The difficulty for the leadership is to find ways of sustaining and extending the intifada without at the same time increasing the hardship it has already caused the inhabitants of the occupied territories. Calls are made frequently by extremist fringe factions for a resort to arms. But this course is still rejected by the overwhelming majority for two reasons: it would jeopardise the propaganda gains the PLO has earned from the "stones against bullets" image of the intifada and it would invite much greater force in retaliation.

Dr Erakat predicts more campaigns of civil disobedience such as the Beit Sahour tax boycott. The severity of the Israeli response there indicates that the authorities are worried by such a prospect. What is more ominous for the Israelis, Dr Erakat expects increasing individual incidents of violence similar to tha July attack on a Tel Aviv-Jerusalem bus in which more than a dozen Jews died.

Much may turn on the extent to which impatience over the political deadlock spills into the street. Palestinians at all levels tend to say that a feeling in the early days that the intifada would quickly achieve its political aims has been replaced by an acceptance that this may rather take years.

"I believe people are getting more frustrated about a fruitful outcome to the peace process," commented Radwan Abu Ayyash, a prominent pro-Fatah figure and head of the Arab Journalists Association, before the Israeli Government turned down President Mubarak's initiative. "Now to a great extent (the intifada) is controlled, but I don't know how much it will be in future. And if we lose control, that will be a disaster."

OVERSEAS NEWS

Kalashnikov rule maintains the ethnic divide in southern Pakistan

Tensions are reaching an explosive level in Sindh province, where more people have guns than water and sewage, writes Christina Lamb

ON a balmy autumn evening one year ago, men of the southern Pakistani town of Hyderabad were going out for prayers. A shot rang out and the lights went off.

Hooded gunmen appeared from nowhere on rooftops and motorbikes, and by dawn 200 people had been massacred and the streets were running with blood. Last Sunday in a chilling repeat, masked gunmen entered several schools and at gunpoint forced headmasters to close them. A gunbattle ensued in which nine were killed and troops once more called out.

The hot congested cities of Hyderabad and Karachi in the seething province of Sindh, are used to such incidents.

An explosive mix of which around 10 per cent are Pathans from the Frontier, 10 per cent Punjabis, 35 per cent mohajirs (migrants from India) and the rest Sindhis who feel they are deliberately being made a minority in their own province, the battle for scarce economic resources has assumed ethnic overtones.

Frequently under curfew, the might of the Kalashnikov reigns supreme, ethnic warlords and notorious drug-barons running organised gangs under the noses of an apparently helpless overburdened administration. Since November 1987 more than 1,000 people have been killed.

More people have guns than water and sewerage. Gang rapes occur in hospitals, college buses are attacked.

Students carry Kalashnikovs rather than textbooks, and after a shootout last month, Karachi University which is rarely open, resembles a prison camp, armed guards everywhere.

There are too many people and too few police. Qaim Ali Shah, Chief Minister of Sindh, admits that at any one time there are just 3,000 police available for Karachi's population of 9m among whom he says are more than 1m illegal immigrants.

These problems worsened immeasurably in 1983 when the army moved in to ruthlessly crush an uprising against martial law. Pakistan's first elected Prime Minister, Zulfikar Ali Bhutto, a Sindhi, had been hung by the military in 1979.

In November's elections last year, the first since 1977, Sindh got a chance to protest. It did so by voting overwhelmingly for his daughter Ms Bhutto's People's Party (PPP), which swept 31 out of 46 seats.

Many people in Pakistan subscribe to the "Sindh theory". According to this Benazir Bhutto, was allowed to become Prime Minister in December by the military that has ruled Pakistan for more than half its lifetime, because she was the only person thought capable of controlling Sindh, and containing moves for independence reminiscent of those leading to the breakup of Pakistan and creation of Bangladesh in 1971.

Pakistani Prime Minister Benazir Bhutto (left) is thought to be the only person capable of controlling independence moves and violent ethnic unrest in Sindh province, which has claimed more than 1,000 lives since 1987.
Altaf Hussain (right), "uncrowned King of Karachi" and leader of the MQM party representing the minority mohajirs, voices resentment at the majority Sindhis, saying "mohajirs have no place else...we are treated as third grade citizens".

The same people are now shaking their heads. In December the army were removed – democracy was going to cure all the ills. But now they are back, not just at Karachi university. The Racecourse and sports ground double as army camps.

The total number of killings may have decreased but the ethnic gap seems to have widened. Gunfights usually over trivial events but assuming ethnic overtones, are daily events.

As Iqbal Haider, Adviser to the Sindh Chief Minister, admits, "the seeds of ethnic violence are easier to sow than uproot". In what many interpreted as a warning, last week General Aslam Beg, the army chief, told press there had been pressure on him for the army to intervene in Sindh, and said, "we could restore complete peace within days but that would have far-reaching consequences of a different nature".

Although Ms Bhutto's People's party emerged as easily the largest in the elections, in order to secure a majority in the national assembly she had to enter into an alliance with the Mohajir Quami Movement (MQM), which had won 14 vital seats in urban Sindh.

A party for mohajirs, the MQM was thought by many to have been created by late President Zia, to exploit ethnic tension in a divide and rule tactic to justify continued army rule. Arising out of a student group in Karachi university almost overnight with a mass rally in August 1986, the MQM swept local body elections the following year in urban Sindh.

Until then ethnic strife was three cornered, between Sindhis and Pathans who had moved in to control drugs and transport, and Punjabis who, making up 62 per cent of Pakistan's population, dominated the army and bureaucracy and got lucrative plots and postings in Karachi.

With the sudden emergence of a militant MQM taking over the local administration and demanding a fifth nationality, the focus changed while the flow of sophisticated arms from Afghanistan meant street fights turned to bloodbaths.

Now most killings are between Sindhis and mohajirs, and an aide of Sindh Chief Minister admits, "our aims are poles apart. Peace is the death of MQM."

Organised in cells which collect "fees" from locals, MQM members call each other bhai (brother) and hero-worship Altaf Hussain, one of Pakistan's most charismatic politicians. In his dark shades with no official position, the former pharmacist has become a godfather, the uncrowned king of Karachi, whose office in the city's remotest northern reaches, is a far cry from the plush suburbs where other politicians live.

Hated by Sindh's traditional feudal politicians, "Altaf bhai" as he is known, cultivates his lower middle class image, proudly riding around on a Honda 50 and talking revolution.

The MQM bears a grudge. While their members are people whose parents left India, giving up everything because they did not want to be a deprived minority, Altaf says "today we are treated like third grade citizens". Their main grievance is the quota system. Mohajirs tend to be better educated so had a disproportionate 33 per cent of top civil service jobs until quotas introduced in 1974 began pushing them out.

By 1983 they were down to 20 per cent. Altaf complains, "Karachi's population is 10 per cent of the country's total and it provides more than 63 per cent of federal revenue, yet we only get 2 per cent quota of jobs and many of those go to people from other areas not mohajirs who have no place else."

The PPP-MQM alliance, based on a 52 point Karachi Accord, has been at best uneasy, each side accusing the other of cheating. Envoys from Ms Bhutto's government regularly rush down to Karachi to acquiesce to the latest MQM demand.

The main aim, to maintain law and order, has not been achieved and PPP members blame MQM for recent killings. MQM ministers in the Sindh government complain their ministries are powerless while PPP ministers say they are being blackmailed by the MQM who threaten to abort the alliance in order to secure release of their prisoners, knowing that without the MQM the Bhutto government would almost certainly collapse.

Both sides have internal problems. Recent fighting was between factions of the MQM though they turned on Punjabis to cloak this. MQM hardliners in Hyderabad whose mayor has survived several Sindhi assassination attempts, are eager to end the alliance as are Sindhi nationalists within the PPP who feel Bhutto has conceded the cities to MQM.

Recent months have seen an upsurge in support for Sindhi nationalist parties as the PPP has been unable to conjure up resources out of nothing.

Areas such as Dadu, one of Pakistan's most deprived regions, which relies on once yearly rainfall to grow crops in subsoil, voted overwhelmingly for the PPP in November, unable to see how nationalist talk of a separate province could solve the problem of where the next meal was coming from. Today the feudal leaders of the many nationalist parties with their Hitlerian style propaganda, are attracting large crowds in villages bedecked with flags showing their black axe symbol, and burning Pakistani flags.

Pakistani leader calls for end to Kabul aid

PAKISTANI President Ghulam Ishaq Khan yesterday told his frontier militia that the Soviet Union's support of the Communist Government of Afghanistan was the main obstacle to ending that country's civil war, AP reports from Peshawar.

He said Pakistan still believed that Moslem rebels, armed chiefly by the US, were the only ones capable of heading a popular Islamic regime in Kabul.

"If the Soviet Union genuinely wishes to help a political settlement, it must review its present policy which is in defiance of the clear wishes of the Afghan people," he told the militia.

Seven of the most powerful Afghan guerrilla groups, headquartered in Pakistan, have formed their own self-declared interim government, which aims to replace President Najib's ruling People's Democratic Party of Afghanistan.

"We believe that the mujaheddeen will ultimately succeed in the restoration of Afghanistan's independent, non-aligned and Islamic status," Ishaq Khan said.

In 1979, Soviet forces intervened to replace one pro-Moscow government with another in Kabul, then stayed on help fight the mujahideen.

The Red Army completed its withdrawal from Afghanistan last February. But the rebels have been unable to topple the Government, which continues to receive Soviet aid.

Some 3.5m Afghans remain in refugee camps along the Pakistan frontier, unwilling to venture home because of the continued fighting.

Sri Lanka family killed

TWO fathers and their two children, a boy and a girl, were shot dead in Sri Lanka in the latest round of political violence, Reuter reports from Colombo.

A government statement said they were among 24 people killed since Sunday.

The men and children were shot by unidentified men in police uniform in the south of the country. The statement gave no further details.

It said troops in the past 24 hours also seized a large quantity of guns, swords, ammunition and army uniforms in raids on rebel hideouts. Thirteen rebels were killed.

The recent spate of violence has been attributed to the left-wing guerrillas and pro-government death squads.

The guerrillas of the People's Liberation Front ignored a six-day ceasefire called by the government ending last week and continued killing and destroying state property.

The statement said rebels set fire to a rubber factory, post office and several state vehicles in the past day.

Fed unease surfaces with US Treasury policy

By Peter Riddell, US Editor, in Washington

TENSION has increasingly developed between the Federal Reserve and the US Treasury over a wide range of economic policy issues including foreign exchange market intervention, interest rates and the Third World debt strategy.

This has been reflected in friction between leading officials on both sides, as was noted by ministers and bankers during the annual meetings of the International Monetary Fund and World Bank two weeks ago. Bear, Stearns, the Wall Street investment advisers, said recently that "the Treasury and the Federal Reserve are at war" in relation to interest rates and the dollar.

The divisions surfaced publicly at the weekend when the minutes of the Federal Open Market Committee showed that two key Fed governors – Mr Manuel Johnson, the vice-chairman, and Mr Wayne Angell – dissented from an increase in the limits for the Fed's currency holdings. This was because of their opposition to intervention in the market "to drive the dollar lower as compared with intervention to avoid disorderly conditions by stabilising or limiting increases in the dollar exchange rate".

The two governors argued that "intervention of the former type confuses market participants concerning the policy commitment towards price level stability and can contribute to disorderly markets."

This public expression of dissent is significant, not least because Mr Johnson is usually regarded as a close ally of the Treasury on economic policy.

Moreover, although the two governors were outvoted, their views reflect broader doubts within the Fed, shared by the majority, about the efficacy of large-scale intervention.

The Fed has resisted Treasury calls for lower US interest rates as a means of bringing down the dollar. The predominant Fed view has been that interest-rate policy should be used primarily in relation to domestic conditions, notably curbing inflation. In practical terms, however, the latest evidence of an easing of labour market conditions may lead to lower US rates before long.

Another growing cause of tension has been over the Third World debt plan launched in mid-March by Mr Nicholas Brady, the Treasury Secretary. The Fed had doubts then about its feasibility and, while it has been closely involved with Mexican debt negotiations, its officials have shared some of the reservations expressed by the commercial banks about the prospects for new loans.

Brady: Fed doubts about debt plan

These differences have become tied in with a growing debate in Congress about the powers of the Fed. Moreover, President Bush shortly has to decide how to fill the vacancy left by the resignation from the board of Mr Robert Heller.

Hyper-inflation joins race for Brazil polls

Analysts study Weimar republic and talk of political disaster, writes Ivo Dawnay

AS Brazil's 22 presidential candidates race towards their appointment with the ballot box on November 15, a growing fear among economists is that hyper-inflation may beat them to it.

Last month, price rises reached a record 36 per cent. There are forecasts of more than 40 per cent for October and few will take bets that the graphs will not go into the vertical before the second round of the two-phase poll on December 17.

Despite government assurances that foreign exchange reserves are adequate and tough monetary controls are in force, both government and business know that any sharp rise in inflationary expectations could provide the fuel for a disaster.

Already this month, three minor panics in the markets have seen gold and the black dollar return to record highs as nervous investors have ignored real monthly interest rates on government paper of up to 6 per cent and moved into internationally convertible assets.

After a bank holiday weekend, all eyes today will be focused on the weekly auction of the main paper – the *Letra Financeira do Tesouro* – which closed last Friday at an unnerving 682 per cent a year.

Once again last week, Mr Mailson da Nobrega, Brazil's finance minister, attempted to stem the tide of price rises by appealing to industry to hold down charges. In a series of meetings with leading industrialists, he hammered out a deal by which key sectors will hold down increases to 10 per cent below last month's inflation rate.

Moreover, in the manner of a Levantine despot killing the bearer of unpleasant tidings, he closed the gold futures market, blaming speculators for the 20 per cent rise in prices.

Last month, a conference of the great and good gathered in Rio to discuss the first publication in Portuguese of Breschiani-Turroni's The Economics of Inflation – the classic study of events leading to the collapse of confidence in Germany's Weimar Republic in June 1923.

Its conclusions were far from encouraging. Economists from Professor Celso Pastore, the monetarist former central bank governor on the right, to deputy Cesar Maia of the left-wing populist Democratic Workers' Party agreed that, indeed, it could happen in Brazil.

Dr Paulo Guedes, a champion of orthodox fiscal measures, pointed out that, as in 1920s Germany, the conjunction of government deficits, the monetarisation of debt and the inability of the authorities to raise tax revenues are all in place.

De Mello: economic orthodoxy would be forced on him

"It is inexorable," he concluded. "If we don't act with force and determination as well as the right measures, hyper-inflation is inevitable."

But while the platform could unite around a programme to cut the public sector deficit – currently expected to exceed 6 per cent of gross domestic product – there was equally uniform scepticism as to the capacity of Brazil's leaders to take the measures necessary to avert a collapse.

In 1920s Germany, the government took anthoritarian power through decree legislation and an autonomous central bank. In contemporary Brazil, the new constitution gives Congress formidable blocking powers and ensures a host of costly privileges from subsidies and tax breaks to guaranteed employment for civil servants.

Mr Walder de Goes, the sole political scientist at the seminar, warned: "Without a stronger president, Congress will continue to be too weak to take action, but still strong enough to prevent it."

His gloomy conclusion, widely shared, was that only with the advent of hyper-inflation will the political impetus build up to tackle the entrenched interests whose dogged defence of their rights has rendered President José Sarney's regime powerless.

"It is better that it comes quickly, because it is only then that a new climate of expectations can emerge," he said.

Not too quickly, however. Many are counting on prices being held down enough to allow the presidential elections to be concluded in December. That would clear the political decks to allow an accelerated transition like that of Argentina's where President Raúl Alfonsín handed over power early to Mr Carlos Menem.

Few now believe that the Sarney government will be able to struggle on to the official inauguration date of his successor on March 15.

It is not clear, however, whether an early economic collapse would favour the left or the right. Mr Fernando Collor de Mello, a young state governor of relatively liberal economic views, remains 20 points ahead of Mr Leonel Brizola – a populist socialist still orientated to a command economy model.

Most appear to believe, however, that the options will be limited. Mr Sarney's heir will be forced, like Mr Menem, to adopt tough economic orthodoxy. But as the election moves towards its final month, many media commantators have hit out at the candidates for failing to communicate the fragility of Brazil's economic position or their plans for tackling it.

It is commonly claimed that many hopefuls are entirely unaware that the country is on a precipice. That may be unfair. Like anywhere else, Brazilian politicians prefer not to sell an increasingly angry electorate a package of blood, sweat, toil and tears.

Amongst the candidates at least, hope is the preferred prescription. After all, as deputy Cesar Maia put it with classic political deftness: "In Brazil, to be a pessimist is merely to be a well-informed optimist."

Argentina paves way for foreign investment

By Gary Mead in Buenos Aires

MR Nestor Rapanelli, Argentina's Economy Minister, yesterday signed two decrees which take the country's gradual opening-up to foreign capital one step further.

One will remove the complicated set of regulations concerning foreign investment, replacing it with what promises to be complete freedom for foreign capital to buy or create businesses in Argentina without prior government approval. One condition is that any such new foreign investment should be real and not simply a movement of paper. New foreign investments will require Economy Ministry approval.

However, certain areas, such as the media, are to be excluded from the new openness to foreign investors.

The other decree concerns the highly controversial "Compre Nacional" law, which has been used by domestic industry as a means of blocking overseas competition. The "buy Argentine" law, a form of tariff against foreign imports, is to be suspended. In principle, that should mean greater competition for domestic producers from foreign companies.

A main element of President Carlos Menem's economic plans, a new and simplified tax system, has yet to be unveiled. It is thought that it might be announced this week after last-minute adjustments in consultation with the International Monetary Fund.

At the weekend Mr Rapanelli said the current prices agreement with industry was to be extended to March 1990, the month he singled out as crucial for the re-negotiation of Argentina's foreign debt.

Panama braced for further crackdown

By Tim Coone in Panama City

SIXTEEN emergency measures will be decreed in Panama this week following the failure of last week's US-backed coup attempt to remove the country's military leader General Manuel Antonio Noriega.

Panama's tightly-muzzled media will face further restrictions, there will be regulations to control the movement of vehicles and foreign residents, and visitors will have to comply with new immigration requirements. Public employees and the armed forces will be subject to new codes of conduct designed to enforce loyalty to the Government.

Up to 20 per cent of the public sector workforce is expected to be dismissed in the coming purge. The new regulations, expected to be announced tomorrow, will abrogate employment protection guarantees for public sector employees in the existing labour code, and permit the suspension or dismissal of those not expressing "loyalty and patriotism", according to Mr Carlos Duque, president of the ruling Revolutionary Democratic Party.

The crackdown provides a smokescreen, however, for a previously-planned economy drive to cut the government wage bill. US economic sanctions imposed over the past 20 months have disrupted government finances, reducing tax and royalties income by up to 50 per cent.

Noriega issue fails to hit Bush's popularity

By Peter Riddell

PRESIDENT George Bush's handling of the failed coup attempt against General Manuel Noriega of Panama is generally backed by the American public, though the failure to order US military intervention has been sharply criticised by conservative Republicans.

An opinion poll taken at the end of last week by Gallup for Newsweek magazine shows that 45 per cent of those interviewed thought that US policy was just about right, against 9 per cent who believed the US had played too much of a role and 30 per cent who thought the role insufficient.

The same poll shows that only 26 per cent support the use of US military forces to invade Panama and overthrow Noriega.

By comparison some 76 per cent believe the US should persuade other nations in the region to pressure Gen Noriega to surrender power, while 54 per cent favour the imposition of a total US economic boycott and 46 per cent want a secret operation set up to unseat Gen Noriega.

The US is now likely to pursue a combination of these policies. Mr James Baker, the Secretary of State, has been careful not to rule out the use of force but he has stressed the US commitment to continued diplomatic pressure and economic sanctions, which are being reviewed.

Conservatives, including several prominent Congressmen, have generally been hostile to the President's failure to order a military intervention. The Wall Street Journal reflected this strand of thinking in heading an editorial yesterday "Another Bay of Pigs" in reference to the failed invasion of Cuba in 1961 under President Kennedy. The newspaper talked of "a study in American indecisiveness and irresolution".

However, the majority reaction of politicians, such as Democratic leaders Senator George Mitchell and Speaker Tom Foley, and of the public is less strong. It is essentially that an opportunity may have been wasted as a result of hesitancy and caution but the position was never clear-cut because of confusing reports at the time.

Nevertheless, the episode may have some limited impact on Mr Bush's previously high standing and largely trouble-free record, especially as a series of revelations during the past week have exposed weaknesses in the gathering of intelligence and in White House decision-making.

Apart from the specific shortcomings needing to be remedied, there have, for the first time in this Administration, been recriminations between the President's senior foreign policy advisers.

WORLD TRADE NEWS

US and Brazil end computer export row

By Nancy Dunne in Washington

THE US and Brazil have ended a bitter four-year dispute over Brazil's treatment of foreign computer and electronic exports.

Mrs Carla Hills, US Trade Representative, has terminated a trade investigation, initiated by the US Government under Section 301 of the *Trade Act of 1974*, and praised Brazil for its "willingness to work constructively with us".

The words contrast with the years of US accusations against Brazil for allowing pirating of American high technology while protecting its domestic market from foreign competition. At one point, CBEMA, the Computer and Business Equipment Manufacturers Association, claimed 50 per cent of Brazil's software was composed of pirated products.

Brazil began curbing access to its technology market in 1977, fearing foreign domination of the sector. In 1984, it angered the US computer industry by codifying an informatics law prohibiting high-technology imports if similar products were made in Brazil, or if there was even an intent to make them.

The law contained prohibitions on foreign investments and a licensing policy which, the US said, forced American companies to transfer their technology to Brazilian partners.

A number of curbs remain to foreign investment in the Brazilian computer market, but Brazil settled part of the US complaint in 1987 by extending copyright protection to computer software. It also opened its markets to include imports of foreign computer software and clarified its informatics rules.

Mrs Hills' praise was echoed by CBEMA which predicted "a more positive, relaxed atmosphere" for discussions to resolve outstanding issues. Among these are: Brazil's regulation of technology transfer contracts and its requirement for government approval of manufacturing projects, and a US request for expedited approval of market access initiatives.

Mrs Hills said the US and Brazil have agreed to continue their talks and meet on trade issues four times a year.

EC dumping policy 'impairs competition'

By Guy de Jonquières, International Business Editor

THE European Community's anti-dumping policy is a protectionist device which impairs competition in Europe and flouts the intention of world trade rules, according to a study* by a former official of the EC Commission.

Mr Michael Davenport, formerly a senior commission economist, says the EC has used its anti-dumping procedures to penalise many foreign exporters whose only crime has been to produce at a lower cost than their Community competitors.

He argues in a study for the Royal Institute of International Affairs that anti-dumping actions are increasingly used as a form of disguised industrial policy and says they can strengthen industrial oligopolies in the EC. Instead of encouraging competition, the EC's actions were frustrating it.

Mr Davenport calls for three reforms in the EC procedures to make them less discriminatory:

- The rules for determining "normal value" should be revised to remove an alleged bias in favour of finding dumping.
- Where dumping is found, the EC Council of Ministers should rigorously examine the impact on users before imposing price agreements or quotas on imports.
- The Commission should be obliged to justify proposed anti-dumping measures to the Council of Ministers in terms of all the economic interests involved. The Commission should also publish a detailed explanation of how anti-dumping duties are determined.

**The Charybdis of anti-dumping : a new form of industrial policy; Discussion Paper 22; £3. Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y 4LE.*

US, Canada accused over rise in textile-curb pacts

THE US and Canada were pilloried yesterday for increasing import curbing agreements on foreign makers of textiles and clothing, William Dullforce reports from Geneva. The charge comes in a report by the textiles surveillance body (TSB) of the General Agreement on Tariffs and Trade (Gatt) to Gatt's textiles committee. It also revealed that US textile imports fell 4 per cent in value last year while exports rose 24 per cent. Gatt's textiles committee yesterday began reviewing how the Multi-Fibre Arrangement (MFA), governing textiles trade, has been functioning since being renewed for a fourth five-year period in July, 1986.

The TSB said it did not doubt the US and Canada had been applying MFA curbs more strictly, and pursuing a trend against that followed by all other importing countries.

At a time when Third World pressure for liberalising the textile and clothing trade and dismantling the MFA forms a sensitive issue in the Uruguay Round trade talks, the TSB finding is important politically, particularly for the US.

The US has recently tried to weaken Third World resistance to the extension of Gatt to cover "new" trade sectors such as services, intellectual property rights and foreign investment. But it has slow on textiles and clothing. In a separate paper, Gatt's secretariat recorded the estimated 24 per cent rise to $3.36bn in value and 18 per cent rise in volume of 1988 US textile exports.

Textiles performance was more than matched by US clothing makers who followed a 1987 increase of 31 per cent with a further 36 per cent climb last year, bringing the value of their exports to $1.31bn. Exports success came with a 4 per cent fall to $5.7bn in 1988 in the value of US textile imports and a slowdown to a 1 per cent increase in clothing imports, which totalled $20.4bn. Clothing imports fell by 4 per cent in volume.

Explaining the 1988 US figures, Gatt refers to last year's export-boosting weakening of the dollar and to a slowdown in consumer spending on clothing in the US. This contrasts with a recent growth in spending in the EC, where textile imports rose by an estimated 8 per cent last year to some $11bn, after rises of 32 per cent in 1986 and 29 per cent in 1987. EC textile exports rose to about $12.3bn after two years' decline.

Japan helps Moscow open up its wild east

Sporadic successes are being made in a joint venture policy, writes Stefan Wagstyl

THE MAIN claim to fame of the 10-room state guest house in Khabarovsk, a provincial capital in the far east of the Soviet Union, is that Mr Mikhail Gorbachev, the Soviet leader, once slept there.

Now foreign businessmen will get the chance to stay for 100-150 roubles (about £100) a night.

The guest house is to be modernised under a joint venture worth 1m roubles signed recently by Soviet officials and Yelwa Trading, a small Tokyo-based trading house.

The venture is one of the sporadic successes in the Soviet far east of a policy introduced last year by Moscow of allowing local officials greater freedom in negotiating directly with foreign partners.

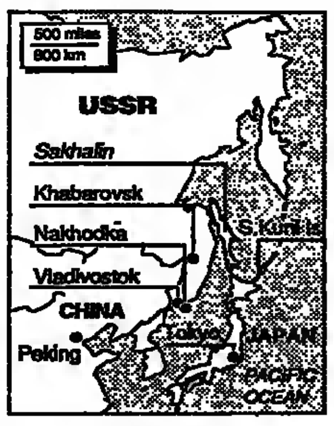
Officials in Khabarovsk say the number of joint ventures in the region has grown in the past two years from less than five to more than 20. Many more are under discussion.

Japanese, American and European businessmen are travelling in the region in much larger numbers than a few years ago. South Koreans have appeared for the first time in the past year – a sign of the steady warming of relations between two countries which do not have any diplomatic ties.

Moscow has long wanted to lure foreign capital into its most remote and hostile regions. But its ambitions of persuading foreigners to back multi-billion dollar natural resources projects have rarely been fulfilled. With the coming of Mr Gorbachev's economic reforms, local officials have been encouraged to seek partners for more modest ventures.

Small projects in underdeveloped regions were a top item on the agenda at a regular meeting held in Moscow recently between Japanese businessmen and Soviet officials, attended by about 500 people. Mr Katsuhiro Fujiwara, director of the economic co-operation department of the Keidanren, Japan's leading employers association, says: "Russian policy has greatly changed. They now emphasise the need for small joint ventures."

However, Soviet officials acknowledge that their new-found fondness for small investments will not alone



bring foreign money pouring into the far east. The sparse population of the huge region which is home to just 7m people, the poor roads, railways, airports, hotels and telecommunications are all cited by foreign businessmen as the main reasons for staying away.

Moreover, there are still some important administrative barriers to entry, above all the lack of convertibility of the rouble. After recent changes in the law, foreign businessmen are now allowed to take profits in hard currency out of the Soviet Union from two years after a venture starts operating. But this is still too long for many would-be investors.

The Japanese Government frowns on investment in the Soviet Union, because of a long-standing dispute over the Northern Territories – islands off northern Japan which the Russians occupied at the end of the Second World War and which Japan claims. In practice these considerations have not prevented Japanese companies from studying even very large projects – such as developing an offshore oil and gas field off Sakhalin island.

The Soviet Union would love to attract manufacturing industry into the region. It hopes that a planned special economic zone which may be established in Nakhodka, on the coast near Vladivostok, the largest port in the Soviet far east, may stimulate interest among foreign manufacturers. The opening of Vladivostok itself, a closed city because of its large naval base, possibly in 1992, may help.

However, Soviet officials recognise that for the most part they have to rely on industries based on the region's natural resources – minerals, fish and lumber. Of six joint ventures on Sakhalin, for example, three are in fish farming (salmon), and one is in producing peat for export to New Zealand.

Mr Minakir says that even in these basic industries, the Soviet Union can learn much from foreigners. For example, he estimates that two-thirds of all the timber cut in the Soviet far east is wasted at various stages in logging, trimming and processing. The six paper mills on Sakhalin were built in the 1920s by the Japanese who then controlled the island. Now Oji Paper, Japan's largest paper company, is studying a Y100m plan to modernise one of them.

But before businessmen can consider such schemes they have to have somewhere to stay. So, the modernisation of the Khabarovsk guest house is being given priority. So is a $10m Soviet-Japanese project to rebuild the 164-room Sakhalin Hotel, which is due to be completed next year. Mr Gorbachev never stayed there. But Mr Kalashnikov, inventor of the AK-47 gun, did.

Mitsui pays Y120bn to quit Bandar Khomeini

By Robert Thomson in Tokyo

THE Iranian Government has formally permitted the Mitsui group of Japan to withdraw from the ill-fated Bandar Khomeini petrochemical plant joint venture after the Japanese company agreed to pay a "separation fee" of just over Y120bn (£533m).

Mitsui officials and representatives of Iran's National Petrochemical Company (NPC) signed a "deed of separation" in Tehran late on Sunday, ending the trading group's troubled 18-year involvement with the still far-from-finished project.

The Japanese company has emphasised that the fee is not compensation to Iran, and Mitsui itself is seeking Y166.2bn in compensation from the Japanese government under an export insurance policy. The NPC estimates that its losses on the project have been around $3bn, while Mitsui reckons it has lost $2bn.

Mr Koichiro Ejiri, president of Mitsui and Co, the core of the group, has been in Iran to finalise the agreement and said that the liquidation of the joint venture company, the Iran-Japan Petrochemical Company, will begin after 90 days.

Bandar Khomeini, which, at one time, was apparently about 80 per cent complete, was suspended in 1984, after having been disrupted by the Iranian Revolution in 1979 and then the Iran-Iraq war, when the site was the target of Iraqi bombing attacks.

While a Mitsui survey team was on the site in 1984 assessing the potential of salvaging the project, there were further rocket attacks, and the company apparently decided shortly after to withdraw. Mitsui formally declared in July last year that it would not continue, and the two sides began a long series of negotiations.

Japanese companies hope the settlement will open the way to contracts in Iran's reconstruction, but the difficulties faced by Mitsui in building the plant, then in withdrawing from the project, are also a disincentive to involvement in the country.

Iranian officials have suggested that South Korean companies could replace Mitsui, but the company's officials do not consider the project viable, and suggest that generous South Korean government subsidies would be needed.

Under the agreement, the Mitsui gronp members involved will share the separation fee payments. The company last year set aside a loss provision of Y68.9bn.

Saab wing order goes to Spain

Casa, the Spanish aerospace manufacturer, has been chosen by the Saab Aircraft division of the Swedish Saab-Scania group, to design and make the complete wing for the new Saab 2000 regional turboprop airliner, Paul Betts reports.

Casa competed against other European and US manufacturers for the contract. Casa will be responsible for design, stress calculations and testing of the entire wing for the new regional 50-seat turboprop aircraft.

Casa is expected to make first deliveries of wings to Saab in the second half of 1991. The Saab 2000 is due to begin test flights in early 1992.

Hitch in clearing Gulf war wrecks

By Hunter Reynolds in Dubai

OVER a year after the ceasefire in the Gulf war, the political atalemate hetween Iraq and Iran is delaying urgent work needed to clear the area of shipping wrecks.

Salvage experts say more than 600 ships were sunk or seriously damaged during the the eight-year war. This does not include a host of locally-registered coastal vessels.

Officials say at least 17 ships, including several larga carriers, pose a serious threat to navigation. Of those, 12 are in Iranian waters, mostly around the Kharg Island oil terminal.

Since last November, officials of the Regional Organisation for the Protection of the Marine Environment (Ropme) have been trying to co-ordinate clearing the Gulf. Ropme includes all states bordering the Gulf – Iran, Iraq, Knwait, Saudi Arabia, Qatar, Bahrain, the United Arab Emirates, and Oman.

Officials say all talks to date have been blocked by Iran'a refusal to give information abont wrecks in its waters. Tehran has recently brought in salvage teams to clear areas around Kharg, Bandar Mashur and Bandar Khomeini.

Iraq's is seeking sea-access for Basra, its second-largest city. The city's port is linked to the Gulf through the Shatt al-Arab waterway. It could take up to three years to clear the Shatt al-Arab from the time both sides agree to the move.

NORDIC CONFERENCE

Sweden promises new rules to open doors for foreign banking

Robert Taylor reports from Stockholm

THE SWEDISH government will introduce legislation shortly to enable foreign banks to set up branches in Sweden, the country's finance minister Mr Kjell-Olof Feldt promised at yesterday's Financial Times conference on Europe and the Nordic countries in Stockholm.

He said this was one of a number of Government bills *designed to liberalise the finan*cial sector in the aftermath of Sweden's abolition of foreign exchange controls in July. Mr Feldt promised that foreign banks would be "offered equal opportunities to compete with Swedish banks" as a result of the new legislation. He added that the establishment of branches would require the Government's permission and they would be supervised jointly by the Swedish Bank Inspection Board and home country authorities "in accordance with generally accepted international recommendations on prudential supervisions."

Mr Feldt made it clear that foreign bank undertakings in Sweden would be covered by existing Swedish bank legislation, including restrictions that govern the acquisition of shares in non-banking enterprises. "Foreign banks with branch permission shall be enabled to conduct stock brokerage," he added. "No special endowment capital shall be required for the business through Swedish branches. The operations carried out through branches shall rely on the foreign banks' capital base."

Sweden's finance minister said his country wanted to discuss with the European Community "intensified co-operation in all sectors except foreign and security policy". He added that Swedish neutrality was a "key factor in a wider European security policy pattern". It was a "policy of choice and a product of the situation in Europe at any given moment as interpreted by the Swedish government".

"Our aim is the fullest possible participation in the four freedoms of the internal market. What we wish to achieve is that Swedish citizens, Swedish goods and services, Swedish enterprises are not to be discriminated against in any way in relation to their EC counterparts," Mr Feldt said. He was "confident" that December's joint meeting between the EC and European Free Trade Association members would give the "formal go-ahead" to detailed negotiations between the two economic blocs early in 1990 with the aim of creating a "more structured partnership with common decision-making and administrative institutions".

Mr Kjell Olof Feldt: opening doors for foreign banks.

In his speech to the conference the Speaker of the Finnish Parliament and four times Finnish prime minister Mr Kalevi Sorsa said that Finland took an "optimistic" view of working through Efta for an integrated Europe. "It makes no sense at all to disrupt a natural process by failing to build on the free trade relationship which services both Efta countries and the EC so well", he added. Mr Sorsa said he believed that the efforts to create a "third road" between the present Efta-EC relationship and full EC membership would "eventually succeed", involving free movement of goods, services, capital and people as well as close association on economic, environmental, research and development and education policies.

Mr Sorsa acknowledged this would involve "building a legal framework for all this and the setting up of institutions for decision-making and for allowing the Efta countries to participate in the EC's legislative process". He said his "optimistic vision was founded in reality" but he also added that "EC membership for Finland was not compatible with its policy of neutrality". He said he believed the EC's social dimension would have to be strengthened to assist in bringing Efta and the EC together but he was convinced a "new multilateral framework between the two blocs was realisable." He concluded that Efta countries needed "to stick together and not individually make our way to Brussels and other centres of power."

Mrs Eldrid Nordbo, state secretary in the office of Norway's prime minister Mrs Gro Harlem Brundtland told the conference that her government, which looks set to leave office early next week, was strongly in favour of creating new structures covering the EC and Efta, including the surveillance and enforcement of the rules and regulations agreed by both sides. She believed there would have to be a joint EC-Efta court system based on the existing EC court of justice.

She said that the present Norwegian government was keeping its options open on whether there should be a customs union between Efta and the EC "or a broadening of the existing free trade agreements". Mrs Nordbo said Norway's foreign and security policy interests made it important that the country played "an active part in the ongoing integration process." She added that "our political interests require we are at the forefront of economic and trade co-operation in western Europe".

Mr Thorsteinn Olfasson, economic adviser to Iceland's prime minister said that his country welcomed closer integration with the EC through Efta but he stressed that Iceland needed duty free access for processed fish products in the European market. He added that Iceland was "not in a position to give any fishing rights away to the EC and as a matter of political principle, agreed by all the political parties in Iceland, it would never be accepted to negotiate fishing rights in Icelandic waters for other nations."

The managing director and chief executive of the Gothenburg group at Skandinaviska Enskilda Banken, Mr Bo Ramfors called for the abolition of Sweden's turn-over tax, which he said had led to the trading in Swedish securities on foreign stock exchanges on a growing scale. But he also said that the Nordic banks and financial institutions were well equipped to meet increased competition, adding that a common Nordic stock-exchange information system starting next year would pave the way to the development of a Nordic stock market.

Mr Harald Norvik, president and chairman of Statoil in Norway said that the growth of the EC's internal market meant that the EC's political institutions would decide upon important issues for the future marketing of Norway's petroleum products and therefore, whether or not his country became an EC member, it "should take an active part in those discussions".

UK NEWS

Government says it will not 'shirk responsibilities' as sterling falls and building society raises loan rate

Chancellor faces most difficult test in office

By Philip Stephens, Political Editor

GOVERNMENT ministers publicly closed ranks yesterday behind Mr Nigel Lawson, the Chancellor of the Exchequer, as sterling's sharp fall on foreign exchange markets and the rise in mortgage rates deepened the unease among Conservative supporters on the eve of today's annual party conference.

As Mr Lawson arrived in Blackpool for the conference last night, facing what colleagues described as the most difficult period of his Chancellorship, senior ministers privately acknowledged serious concern about the possibility of a further rise in interest rates.

In public statements, however, they took their lead from Mr Kenneth Baker, the party chairman, in predicting that the Government would soon regain its grip on the economy. Mr John Wakeham, the Energy Secretary, echoed the general sentiments when he said that the Government knew the immediate outlook would be difficult but it would not "shirk its responsibilities."

Mr Baker reaffirmed that the Government's prime objective remained the defeat of inflation, but he would not be drawn on events in financial markets yesterday. He insisted that with a general election still possibly more than two years away, the Conservatives had time to bring down inflation and interest rates and to recover their popularity.

Mrs Margaret Thatcher, the Prime Minister, offered a similarly upbeat message to a gathering of party agents last night. She said the latest rise in interest rates was necessary and had to be seen in the context of the underlying strength of the economy.

"This Government always does exactly what is necessary," she said, adding: "You have to look at the current situation in the light of the Government's record and the underlying strength of the economy."

Her aides cast doubt on any suggestion that the pound's weakness will prompt her to accept the advice of many city of London economists and reconsider her long-standing opposition to full British membership of the European Monetary System.

One middle-ranking Government minister summed up the general mood in Blackpool on the eve of the conference with the comment that: "When things get this dire I think you will find that we (the Conservatives) will pull together".

Others acknowledged however that if sterling continues to slide and forces another rise in interest rates, the Government could be faced with a serious outbreak of discontent among its supporters. "We just hope it does not happen," one minister commented.

Mr Baker said that Mr Lawson would use his speech to the Conference on Thursday to defend the Government's record *on the economy* in "a very positive way". He would point out that the Government had presided over an unprecedented period of economic growth and falling unemployment and that, despite present difficulties, investment was still rising strongly.

At the same time party managers were playing down weekend reports of differences between Mr Lawson and Mrs Thatcher's principal economic adviser, Sir Alan Walters. They insisted that there had been full agreement last week on the need to raise interest rates.

Mr Roy Hattersley, the opposition Labour party's deputy leader, said Mr Baker should use his speech today to help restore international confidence in the British economy.

"It is clear that the international markets are no longer prepared to accept the Chancellor's complacent assertion that our mounting trade deficit is of no real significance.

"Mr Baker must therefore give us some sign that the *Tory Government* recognise their errors and will respond to the consequent loss of international confidence," he said.

Halifax raises mortgage rates to 14.5%

By David Barchard

HALIFAX, the largest UK building society, yesterday raised mortage interest rates to 14.5 per cent from 13.5 per cent - the highest ever real rate to borrowers in UK history.

The increase will take effect for its 1.6m existing borrowers from November 1. When expressed as an APR (annual percentage rate), the Halifax will charge 15.7 per cent on endowment mortgages and 15.8 per cent on repayment mortgages.

Other building societies, which in the UK are savings institutions specialising in home loans, are poised to move their rates in the next few days. Though Nationwide Anglia, the second largest building society, looks likely to keep its increase to one percentage point, in line with Halifax, some other societies may put their rates up higher.

Building societies have been holding their rate to borrowers at half a percentage point below the banks' base rate since the end of May, and many smaller societies would like a rise of 1.25 to 1.50 percentage points.

Yorkshire, the twelfth largest society, moved ahead of the rest of the market at the weekend, taking its rate to 15 per cent. Mr David Anderson, general manager for marketing, said yesterday: "15 per cent is the lowest rate we could go to and still expect to keep our investors satisfied."

Halifax stressed that the new rate will be the highest ever real rate to borrowers in UK history because when the bank interest rates were last this high in the early 1980s, income tax relief on interest payments on mortgage debt *helped offset the burden*. Since then Miras (mortgage interest relief at source) has been held at £30,000, while the average size of loans in SE England has risen to £58,000. The change means that in real terms the first time buyers will be paying interest at 2.5 per cent more than in 1984.

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AA cuts holiday sales after interest rate rise

By David Churchill, Leisure Industries Correspondent

THE Automobile Association yesterday became the first company in the travel industry to respond to the unprecedented slump in package holiday bookings for next year by axing sales of overseas air-charter package holidays.

The move means the loss of up to 500 jobs in the AA's retail travel operations at 69 travel centres throughout the UK.

The AA's decision follows the 10 per cent volume slump in package holiday sales this summer and a fall of 50 per cent in the level of bookings for next summer in comparison with this time last year.

The travel trade blames the rise in interest rates over the past year for leading to the fall in demand for package holidays, although bad publicity about low hotel standards and airport delays has also harmed sales.

However, last week's rise in interest rates was the final blow for the AA. Mr Andrew Johnson, general manager of AA Travel, said: "It frankly became pointless to continue to compete in the overcrowded, heavily discounted and ultimately unprofitable air-package holidays business." He added: "We have taken a painful but necessary step."

AA Travel is the ninth largest travel agency chain in the UK with a total of 86 outlets. There are over 7,000 travel agents in the UK but the top five chains - Lunn Poly, Thomas Cook, Pickfords, Hogg Robinson, and A T Mays - account for a quarter of the total number of outlets and about half the 10m package holidays sold this year.

The fall in sales, however, has led to most travel agency chains being forced to sell holidays at up to £100 off in order to attract holidaymakers. This has severely hit profit margins and there is speculation in the travel trade of other chains scaling back their operations or merging.

The 500 jobs to be lost at the AA Travel centres include some 400 as a direct result of the decision to stop selling package holidays, with a further 100 as a result of restructuring the AA's other retail activities.

However, the AA travel centres will still continue to sell non-package holiday travel services, such as ferry bookings and travel insurance, along with its existing motoring facilities.

Unexpected rise in manufacturing costs

By Patrick Harverson, Economics Staff

A LARGER than expected rise in manufacturing industry's fuel and raw material costs last month pointed towards a squeeze on company profit margins in the coming year.

The Central Statistical Office said that after allowing for normal seasonal variations manufacturing industry's input prices rose 1 per cent in September, to take the rise on the year to 5.3 per cent. The City of London's financial institutions had been expecting a monthly rise of 0.3 per cent in input prices.

The CSO said that industry's factory gate prices of manufactured goods, known as output prices, rose by a seasonally adjusted 0.4 per cent. This was in line with City of London forecasts, and factory gate prices are now rising at an annual rate of 5 per cent.

The rise in manufacturing prices was attributed to the weakness of sterling against the dollar, which put up the cost of oil and general commodities. The CSO said that a significant proportion of the rise was due to higher prices for food manufacturing materials.

City of London analysts said that yesterday's figures emphasised how important a strong pound was to the fight against inflation. Mr Nigel Lawson, the Chancellor of the Exchequer, had hoped that last week's rise in UK interest rates to 15 per cent would support the pound and ease imported inflationary pressures.

However, the one point rise in interest rates and repeated intervention in recent days by the Bank of England in the foreign exchange markets has failed to stop sterling's slide against the dollar and the D-Mark. Analysts expect manufacturers' costs to rise further in coming months if the pound remains weak against leading currencies.

Mr Kevin Gardiner, economist with Warburg Securities, said that industry's profit margins will be squeezed next year if input prices continue to rise at the current rate. Wage costs are forecast to rise by more than 5 per cent this year, and with company earnings already showing signs of slowing, profit margins will be eroded.

Mr Gardiner said that there was little room for companies to pass on the higher manufacturing costs to the consumer in the form of higher retail prices. Aggregate demand is already weakening under the pressure of the rise in borrowing costs, and companies are likely to be reluctant to raise shop prices for fear of losing market share.

Lawson decides to ride out accident waiting to happen

Simon Holberton and Patrick Harverson look at sterling's fall

MR Nigel Lawson, the Chancellor of the Exchequer, probably thought he had taken the decisive - if unpopular - step last week when he raised base rates to 15 per cent. Yesterday, on the eve of the Conservative party's annual conference, with the pound being savaged by the foreign exchange markets, he may well have asked himself what he has to do to prop up sterling.

Last week's rise in interest rates was about preserving sterling's strength and bearing down on still excessive demand in the UK economy. But by yesterday morning, the foreign exchange markets had calculated that Mr Lawson would not want to risk throwing the economy into almost certain recession by pushing interest rates higher. He seems to have decided to ride out the latest storm.

As Mr John Shepperd, economist at Warburg Securities, said, even higher rates were *not seen as an option*, not only for political reasons, with the Tory Party conference in Blackpool this week, but also because "you cannot just continue to put interest rates up when they are not affecting the currency."

The fall in sterling was an accident waiting to happen. Traders and analysts have felt for some months that the pound was overvalued and would fall.

Two possibilities were discussed. One was that the pound would fall when the economy cooled sufficiently for the Treasury to cut interest rates to *stimulate* growth. The other was that the market would see the top of the interest rate cycle and simply dump the pound, hoping to make money as it fell.

Yesterday the latter occurred, accompanied by that now familiar talk of the pound being a "one way bet." A tenet of foreign exchange trading is: if you can't buy it, sell it.

Weekend press reports of a rift between Mr Nigel Lawson, and Sir Alan Walters, the Prime Minister's economic adviser, reinforced the feeling of many in the foreign exchange markets yesterday morning that the Government would not stop the pound from falling below DM3.

The market was also worried by the Labour Party's lead in the opinion polls. Although the election is still some way off, traders gambled that the Government would not countenance another rise in interest rates while it lagged so far behind Labour in the polls.

In any event, currency strategists did not believe another rate rise would help the pound. Mr Ken de la Salle, head of foreign exchange at NatWest, said: "One mere point on interest rates would not turn sterling." Only organised intervention in the markets by world central banks would help the pound.

Another worry was that 15 per cent interest rates might push the economy into recession. The economic fundamentals are running against the pound. In particular, the market is worried about the trade deficit, and it has not taken to Mr Lawson's line that privately financed trade deficits do not matter.

"No one liked Lawson's Nero act after the last trade figures came out. His peddling of the idea that the deficit does not matter smacked of complacency," remarked one currency analyst.

THE coherence of policy on the pound and interest rates was also being questioned. As one analyst put it: "Last year the Bank of England tried to stop sterling as it went up through DM3 and *had interest rates down at 7.5* per cent. Now the Bank is trying to stop the pound going down below DM3 and interest rates are at 15 per cent. That's a hell of a change of policy."

But there was also a growing sense in financial markets that the Treasury had abandoned its flirtation with exchange rate targeting, or at least put it on hold for the time being.

The Bank of England's intervention yesterday was not an attempt to stop the pound falling through DM3 but to maintain a semblance of order in the market and indicate that *the Government still took* an interest in the level of the currency.

Mr Derek Scott, UK economist at BZW, said: "There are some in the market who think *that authorities have in some* sense let the pound go. It is only a matter of time before the market has another crack at the pound."

Ward arrest in US stretches Guinness affair

By Raymond Hughes, Law Courts Correspondent

THE ARREST of Mr Tom Ward, the US lawyer and former Guinness director, and the start of proceedings in the US for his extradition to the UK, raises the prospect of the criminal trials in the Guinness affair stretching over the next three years.

A warrant for Mr Ward's arrest was issued in the UK as long ago as March last year. At that time it seemed possible that he would be seen in the dock alongside his co-defendants.

However, the 18-months delay between the issuing of the warrant by Bow Street magistrates and his arrest by FBI agents last week means that, always assuming extradition is granted, Mr Ward will find himself alone in an English dock long after verdicts are returned against the others involved.

Even if the Serious Fraud Office obtains an extradition order Mr Ward can be expected to fight the matter through the US appeals system, which could take at least two years.

The trial of Mr Ward's seven co-defendants is due to start at Southwark Crown Court on January 8.

The seven include Mr Ernest Saunders, former Guinness chairman and chief executive, Mr Gerald Ronson, chairman of the Heron Group, Sir Jack Lyons, the millionaire financier, and Mr Anthony Parnes, a former stockbroker.

The other three are City professionals who advised Mr Saunders and Guinness during the takeover battle for Distillers: Mr Roger Seelig, former Morgan Grenfell corporate finance director, Lord Spens, former director of corporate finance at the Henry Ansbacher merchant bank, and Mr David Mayhew, senior corporate finance partner of stockbrokers Cazenove & Co.

Mr Ward, a senior partner in the Washington law firm of Ward, Lazarus, Grow & Cihlar, who is regarded as a key figure in the Guinness affair, was arrested in connection with alleged offences under the UK Theft Act.

He is mentioned in four of the charges currently faced by other defendants. Two against Mr Saunders under the Theft Act concern a payment of £5.2m made by Guinness to a Jersey company, Marketing & Acquisition Consultants.

In a third Sir Jack Lyons is accused of conspiring with Mr Ward to contravene the 1985 Companies Act.

In the fourth Mr Seelig and Mr Mayhew are accused of common law conspiracy with Mr Ward.

The £5.2m is also the subject of a pending appeal by Mr Ward to the House of Lords against a Court of Appeal ruling that he must repay the money to Guinness without the dispute going to a full trial.

The appeal was to have been heard last July but was postponed and is now not expected to be heard until some time next year.

Upholding a High Court ruling in Guinness's favour, the appeal court judges said that Mr Ward had improperly received the £5.2m "in plain disregard of his duty to the company".

The payment, alleged by Mr Ward to have been for his services to Guinness during its takeover bid for Distillers, was not disclosed to a meeting of the full Guinness board. It had therefore breached both the company's articles of association and the Companies Act, the appeal court said.

Mr Ward contends that the payment was properly made to him, under a contract between him and Mr Saunders.

Mr Ward is the second of the Guinness defendants to face extradition proceedings. In November, 1987, proceedings were started against Mr Parnes, who had been arrested in Los Angeles. However, after six months in detention, Mr Parnes returned to the UK voluntarily.

County and Reuter to scotch dealing system

By Alan Cane

A MULTI-MILLION pound project to develop one of the world's most advanced dealing room information systems has been abandoned only months before it was due to go live.

County NatWest, the market making arm of National Westminster Bank, and Reuters, the financial information group, have agreed mutually to stop work on a computer-based information system which would have been the centrepiece of County NatWest's dealing room complex in its new City of London premises, Broadgate House, according to Dealing with Technology, a financial newsletter.

County and Reuters confirmed yesterday that they had agreed to discontinue the project because of Reuters inability to meet the bank's timetable.

The system, called Integrated Services Network and based on Reuters most advanced information distribution system Triarch 2000 would have used digital technology throughout. Reuters will instead install a simpler, video-based system, similar to the one County NatWest already uses in its Drapers Gardens offices in the City.

The project, announced a year ago, is part of a £15m package of letters of intent signed with Reuters and with British Telecom for computer and communication equipment for the new dealing rooms.

County NatWest was expected to invest about £1bn in new technology over five years to equip its equities operation. Overall, however, the project has shrunk from a total of 685 dealer positions to between 300 and 350.

Neither side was prepared yesterday to elaborate on the value of the Reuters contract or the amount that will have to be written off. It is understood, however, that the contract stipulated that in the event of Reuters failing to complete the ISN on time, it would instal the video system as an interim measure without charge.

Mr Colin Kaye, director of technology at County NatWest said that while the video system was not being installed free it was at a substantial discount to list price.

Arrested troops come to court

By Our Belfast Correspondent

FOUR MEMBERS of the Ulster Defence Regiment, the locally recruited British army unit, appeared at Belfast Magistrates Court yesterday accused of firearms offences.

The court heard that the four were among 28 UDR soldiers arrested in a swoop by a total of 300 police officers in Belfast on Sunday. Some of the soldiers have since been released.

The police operation prompted criticism from the Rev Ian Paisley, leader of the Democratic Unionist party, who called on Mr John Stevens, Deputy Chief Constable of Cambridgeshire, to stand down as head of the inquiry into allegations of security force leaks to loyalist paramilitary organisations.

Mr Darryl Chapman, aged 29, was charged with possessing three rifle magazines under suspicious circumstances. Mr Leslie Wheeler, aged 24, Mr Robert Thompson, aged 25 and Mr William Casement, aged 31, are all accused of possessing bullets under suspicious circumstances.

A lawyer for the men said they would strenuously deny the charges. He said they were not associated and did not support any illegal organisations.

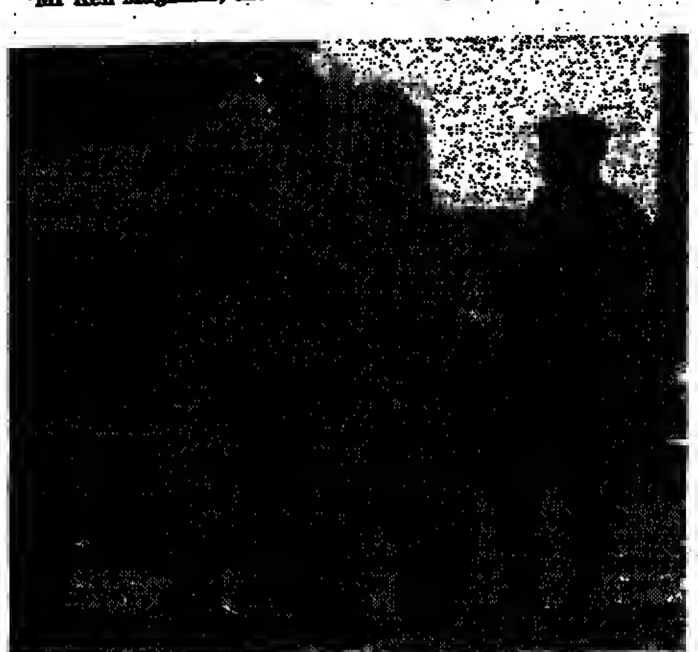
Mr Ken Maginnis, the Ulster Unionist security spokesman and a former major in the UDR, said the arrests were "hamfisted" and "politically motivated."

Mr Paisley said he had no confidence in Mr Stevens after the handling of the dawn raid arrests of 28 UDR soldiers.

The DUP leader said the scale of the operation had endangered the soldiers' lives by identifying them as members of the regiment.

Meanwhile, a young Protestant workman was shot dead in Kilrea, County Londonderry, yesterday in an incident which police are treating as a sectarian killing.

Soldiers who patrol Ulster's firing line



Patrol: the UDR are the workhorse security force

"A very, very, very brave body of men", is how Mrs Margaret Thatcher, Britain's Prime Minister, described the Ulster Defence Regiment during a flying visit to Northern Ireland last month, writes Kieran Cooke.

Scarcely had Mrs Thatcher left the province than Sinn Fein, the Irish Republican Army's political wing, staged a news conference at which it produced a list of the court appearances of the UDR. The list was more than 70 pages long. To date 130 UDR members have been convicted of serious offences, including 16 for murder.

Like almost any issue in Northern Ireland, there are very different views about the UDR, the locally recruited British army regiment which now finds itself at the centre of a political and military controversy.

At the weekend 28 members of the regiment were arrested and held for questioning in connection with the leaking of classified documents to the Irish Republican Army while a top level investigation continues into alleged collusion between the security forces and the IRA's enemies - the loyalist paramilitary organisations.

On one hand the regiment, the youngest and largest in the British army, is considered to be the essential workhorse of the province's security forces. Its members, evenly divided between full and part timers, handle more than 80 per cent of army duties in the troubled province.

The UDR is described as a dedicated and disciplined regiment. Recruited entirely within Northern Ireland, its members have a unique local knowledge and are essential in the fight against terrorism.

Yes, say the UDR's defenders, there have been miscreants within the regiment. But these have formed only a very small proportion of the more than 40,000 people who have passed through UDR ranks since the regiment first became operational back in early 1970.

The regiment welcomes applications from all sections of the community; the IRA has killed Roman Catholics who have joined and intimidated many others.

The other view, held by most in the nationalist community and shared to a large extent by the Irish Government, is that the existence of the UDR is one of the main obstacles to progress in Northern Ireland.

The UDR was formed to replace the old B Specials, the police special unit involved in some of the more bloody events at the start of "The Troubles."

The Specials had been deeply feared across a wide section of the nationalist community. Yet now the UDR is almost equally feared by nationalists.

The UDR, say the regiment's critics, is a partisan force. It is overwhelmingly Protestant, with less than 4 per cent of its members Roman Catholics.

Those opposed to the UDR say the British army has trained and armed thousands of people from one side of the community.

This, the critics say, has made any settlement in Northern Ireland all the more difficult.

If the British army withdraws the UDR will presumably be left behind to preserve the status quo.

If conflict breaks out, the critics say it is clear which side the UDR would be on.

The UDR is a crucial element in the Government's "Ulsterisation" policy. This dates back to the mid 1970s when the Royal Ulster Constabulary, closely supported by the UDR, was put in charge of the main peacekeeping effort in the Northern Ireland.

To some this policy is similar to the "Vietnamisation" policy carried out by the US in the latter stages of the Vietnam war.

As numbers of British army troops based in Northern Ireland have gone down, from a peak in 1972 of 21,000 to a little over 9,000 now, so the numbers of UDR and RUC have risen.

Nationalists in Northern Ireland and the Government in Dublin have been very concerned about any expansion of the UDR's role into more sensitive "hard green" nationalist areas.

They have been particularly worried about recent statements made by Mr Peter Brooke, the Northern Ireland Secretary, that the UDR is to be issued with plastic bullets.

On the other hand loyalist politicians clearly feel that the continuing criticisms of the UDR and the highly publicised arrests of UDR members carried out at the weekend, only give succour to the IRA.

Mr Ken Maginnis, the Ulster Unionist MP and himself a former major in the UDR, said that the weekend's events would "totally undermine morale and confidence" within the regiment.

The men and the 700 women in the UDR, called "Green Finches", have joined for a variety of reasons. Many are in the regiment because their fathers or brothers had also served or were in the old B Specials.

Others join for economic reasons. A full time soldier earns about £500 a month and jobs in Northern Ireland are scarce. Already there is some resentment within the UDR that its members are somehow looked on as second class soldiers.

The top echelon of the UDR is still made up of officers seconded from the British Army. The UDR has noticed that the death of one of its members causes little concern outside Northern Ireland.

As the IRA has also come to realise, deaths of British soldiers, particularly if they take place on the British mainland, have a far greater impact.

There is no doubting the UDR's soldier's bravery. While the regiment is becoming more professional and full time, part timers are still essential for operations. These would be farmers or milkmen, vulnerable to attack, particularly when off duty.

In the past 19 years 180 UDR members have been killed. In one now legendary case the IRA targeted a postman who was a part timer in the UDR. The IRA first took over an elderly woman's house. Then it posted her a parcel. When the postman made the delivery he was shot dead.

"These soldiers are not anti-Catholic but anti-IRA" said a recent UDR commander. Many in Northern Ireland would agree. But others clearly feel that the growth of the UDR has been a serious mistake.

UK NEWS

Bosch leads the march to the land in the West

Anthony Moreton looks at a raft of investment decisions bringing jobs to the principality

Three weeks ago the contractors moved onto a 200-acre site at Miskin, just outside Cardiff in South Wales, and laid the first foundations for the Bosch motor plant that will, by 1995, be turning out 5m alternators a year for the motor industry.

The frame of the building should be completed by January and Dr Helmut Olbertz, technical director of the West German company's automotive equipment division, said at the group's headquarters in Stuttgart last week, that exactly a year later the first of a new generation of compact alternators would start to come off the production line.

Since Bosch confirmed last April its decision, first revealed in the Financial Times, to build in Wales a raft of incomers has chosen the principality for expansion or new investment.

STC has chosen Cwmbran, outside Newport, for a R & D centre, Toyota is spending £140m on an engine plant at Deeside in North Wales, and Race Electronics is joining forces with Japan's Senken Electrics to set up a plant in Aberdare, in the South Wales valleys.

This morning Dow Corning is expected to add to this good news by announcing a multi-million pound project at its Barry works, also outside Cardiff.

Dr Olbertz sketched out a future in Wales for Bosch that offered the possibilities of expansion far beyond what the company now has in mind.

The DM320m investment should employ 570 employees by the time the plant is fully running in 1991, 400 of them on the production lines, and it is expected that expansion of output will take the number to 1,200 by 1995.

Bosch, however, has bought a far larger site than it needs at the moment, Dr Olbertz stated. "We shall be building two halls, each of about 120,000 sq ft, as well as offices and an energy supply centre for our immediate needs and we have taken enough space to build another four halls. Any expansion beyond our present commitment, though, will depend on the success of the present venture and the needs of the company."

The Welsh plant will make a compact alternator, promised to provide between 20 and 70 per cent more power than the present units, and will be the only source of this equipment within the company.

Three sizes of alternator will come off the lines: a small one, up to 60amps; a medium-size one up to 90amps; and a large one up to 140amps.

Cardiff was only chosen after a year-long search by Bosch into a large number of sites. Bosch's strategy has been to move its production nearer the client.

Although the company earns just over half its £4.7bn income from outside Germany only 18 per cent of the income comes from goods produced beyond its borders. Getting nearer the end customer has therefore become a central tenet of its strategy.

Bosch concentrated its year-long search for a site for a new plant initially on low-wage, advanced-economy countries and the trawl quickly came to a choice between Spain, where Bosch already has a number of plants, and the UK, where it has none.

Within the UK the close rapport developed between Mr Marcus Bierich, chief executive of Bosch and Mr Peter Walker, Secretary of State for Wales, played an important part in the decision to choose Cardiff rather than the alternative.

Growth within the British motor industry was also an important factor. The company expects present output of around 1.1m vehicles a year to grow to more than 2m.

But what really swung the decision towards Wales, according to Dr Olbertz, was the way in which decisions were reached in the shortest possible time.

"We had enormous co-operation in the paperwork from a number of bodies," he said, "especially from Welsh Development International. This enabled us to push ahead at top speed. The co-operation we had on this side was crucial in our decision-making."

Wales also gained from its quick communications and an abundant supply of good labour. "Our products are distributed all over the world and South Wales has a transport system which can move goods quickly," said Mr Joachim Burkhardt, project manager at Miskin.

Another factor was the easy availability of labour in the area. Within a dozen miles of the Bosch site are companies such as Sony, National Panasonic, Race Electronics, AB Electronics; all having good, skilled labour.

The ability of these companies to attract the necessary skills told Bosch it could also find the sort of workers it wants. About one in 10 of its employees are expected to have a university or university-level education.

Bosch refuses to be drawn on whether it will go for a single-union deal, though that would be no trouble in South Wales. Plenty of companies have already gone down this path.

But the word "flexibility" features prominently when discussing its method of operations, pointing in the direction of a single-union deal.

Unlike most of its neighbours Bosch will predominantly employ men, a welcome feature in a part of the world where job creation has helped women but where layoffs have largely been at the heavy, men-employing end of industry.

"Wales is now very important to Bosch," Dr Olberts added. "It is our first manufacturing venture in the UK and it will make a product that is critical to the future of our automotive components business."

Bosch is confident it has made the right decision and that we shall be part of the Welsh business and social scene for many years."

That is a sentiment that Dow Corning is also expected to reiterate this morning.

Tories 'may lose 12% of vote' over NHS policy

By Alan Pike and John Mason

UP TO 12 per cent of Conservative supporters could switch their votes if the Government continues with its planned reforms of the National Health Service, according to a survey published yesterday.

The findings of the poll, carried out for the opposition Labour Party by Mori, came as health and social services charities warned that the health service would face an uncertain future if the Government implemented the reforms without public or professional support.

The charities said it appeared that the Government regarded the model patient as "a person in a supermarket with time and money to spare in a health care system." Many patients did not come into this category. The elderly, the disabled, ethnic minorities, the homeless and families with large numbers of children already had difficulty finding general practitioners willing to accept them and this problem could increase under the Government's proposals.

Competition in health care meant that there would be winners and losers. The losers were likely to be from the most vulnerable groups.

The Mori survey found that 62 per cent of those questioned, including non-Tory voters, thought the reforms would lead to poorer standards of health care.

Mr Robin Cook, health spokesman for the opposition party, said the reforms could lose the Conservatives 1.5m votes and many marginal seats at the next election. Of 575 Tory voters questioned, 82 per cent would be happy with the NHS in its current form if it were properly funded and 77% thought it was under-resourced – 43 per cent thought the reforms would lower treatment standards against 38 per cent who thought standards would rise.

If the reforms went ahead, 2 per cent said they were certain to switch votes away from the Conservatives, 3 per cent were very likely to switch and 7 per cent fairly likely to switch.

LEGAL COLUMN

US Treasury loses tax credit

REGINA v INLAND REVENUE COMMISSIONERS, EX PARTE CAMACQ CORPORATION AND ANOTHER

Court of Appeal (Lord Justice Dillon, Lord Justice Lloyd and Lord Justice Farquharson): August 3 1989.

The Inland Revenue may revoke tax credit clearance given in respect of capital share dividends payable to a foreign Treasury by a UK company, if it doubts it was right to have given such clearance in that sovereign immunity from tax may not apply, and the foreign Treasury would be benefiting from an artificially produced tax credit not available to other shareholders.

The Court of Appeal so held when dismissing an appeal by Camacq Corporation and Cambrian and General Securities plc, from Mr Justice Kennedy's decision refusing their application for judicial review of an Inland Revenue decision to revoke a tax credit authorisation.

LORD JUSTICE DILLON said that at the end of 1988 Camacq, an American company, made a public offer to acquire the whole share capital of Cambrian, a British company.

According to US tax law, unless Camacq could acquire not less than 80 per cent by August 3 1989, Camacq and its parent company might face US tax liabilities equivalent to £10m.

Camacq acquired 70 per cent. The remaining 30 per cent included 20 per cent held by an escrow agent for the benefit of the US Treasury as part of a penalty levied against a US criminal.

Camacq wanted to acquire those shares, but could not increase the public offer price, which the escrow agent had not accepted, because that would be contrary to Takeover Panel rules.

The parties negotiated alternative arrangements by which a dividend would be declared by Cambrian on its capital shares, payable out of capital profits. On payment of the dividend to the escrow agent he would become entitled to tax credit equivalent to the advance corporation tax payable by Cambrian.

That would increase the money received by the escrow agent for the shares by some $8m.

The Takeover Panel approved the proposal as not involving any infringement of the Code.

The contract negotiated between Camacq and the escrow agent was conditional on Inland Revenue clearance for him to receive the tax credit.

Payment of tax credit to a foreign state could be achieved either by the state's application to the Revenue after receipt of the dividend; or by Revenue authorisation to the company to pay the amount of the advance corporation tax (which was necessarily equivalent to the amount of the tax credit) direct to the foreign state with the dividend, thus by-passing the procedure of payment to and claim from the Revenue.

The latter procedure was covered by Regulations made in 1973. The arrangements were made at the Revenue's discretion and could be revoked at any time.

On June 8 1989 the Inspector of Foreign Dividends authorised Cambrian to pay the proposed dividend to the escrow agent with the amount of the tax credit.

On June 29 the Inspector learned that Cambrian was proposing, on the following day, to send a circular letter to capital shareholders announcing the dividend. He had doubts as to whether in the peculiar circumstances it was appropriate to pay tax credit to the escrow agent.

In view of the urgency, as the circulars were to be sent the next day, he decided to revoke the authorisation.

Cambrian and Camacq applied to the Divisional Court for judicial review. Mr Justice Kennedy refused to quash the Revenue decision. Cambrian and Camacq appealed.

Proceedings relating to income or advance corporation tax were outside the scope of the State Immunity Act 1978 (see sections 1, 11 and 16).

Where a company resident in the UK paid a dividend, it became accountable for advance corporation tax, and the recipient of the dividend was entitled to tax credit equal to the amount of the tax (see sections 20 and 231 of the Taxes Act 1988).

Section 232(3) of the 1988 Act provided that where a dividend was income of a foreign government, that government was entitled to a tax credit to the same extent as a UK resident.

Section 231(3) provided for the tax credit *to be set against* income tax. That was qualified, however, by section 235, *by* which exemption from tax did not extend to dividends *arising* from pre-acquisition profits.

The purpose was to prevent a tax avoidance device under which shares on which dividend was to be paid, were transferred so that full tax credit could be recovered by the transferee, though attributable to pre-acquisition profits on which the transferor could not have claimed credit.

Inland Revenue practice, as set out in its affidavit, was that a foreign government, though *not normally* entitled to relief under a double taxation agreement, might be entitled to tax credit by virtue of section *232(3) of the Act*. Where it enjoyed sovereign immunity the *government* was not subject to UK income tax on the dividend and was *therefore* entitled to have the whole of the tax credit.

The difficulties in the present case stemmed from the unusual nature of the dividend.

It was apparent to the Inspector that the escrow agent had rejected an earlier offer by Camacq to purchase the shares, which would have netted him approximately $32.5m; that the present transaction was stated specifically *to be structured to net him* $41m; and that the difference between the *two figures* were wholly or mainly attributable to the tax credit of approximately $8m.

In the circumstances the Revenue doubted whether the escrow agent had the benefit of sovereign immunity. It revoked the authorisation. It drew his attention to the fact that the profits from which the dividend was to be paid appeared to be pre-acquisition profits.

It said the dividend seemed to have been artificially arranged to take advantage of UK tax rules in circumstances in which, under section 235 and article 10 of the US/UK Double Taxation Agreement, the tax credit might not be available to other shareholders.

In those circumstances there was *no doubt* the Revenue had good cause to revoke the *authorisation*.

There was no binding rule that it must give consent to payment of the amount of tax credit by the company direct to a foreign sovereign.

It had given *such authorisation*, but on further matters coming to its notice which made it doubt whether it was right to have done so, it was entitled to revoke it.

In view of the imminent sending out of the circulars, it was bound to act promptly.

The appeal was dismissed.

LORD JUSTICE LLOYD agreeing said that the reason given for the cancellation was that the Revenue was doubtful whether *sovereign immunity* applied where a foreign state was obtaining the *benefit of an* artificial arrangement designed to produce *payment of a tax* credit in circumstances in which neither a *UK* nor a *US* taxpayer would have benefited.

Mr Donaldson for the companies argued that a doubt in the Inspector's mind was not *enough*. He said the Inspector was obliged to express a view *one way or the other. If he had*, the court would be entitled to *examine* that view so as to see whether it was correct in law.

That argument was not accepted. If the Inspector had never given his original authorisation on June 8, he could not have been compelled to *do* so by way *of judicial* review.

If he had expressed a doubt at that stage there was nothing the two companies could have done about it.

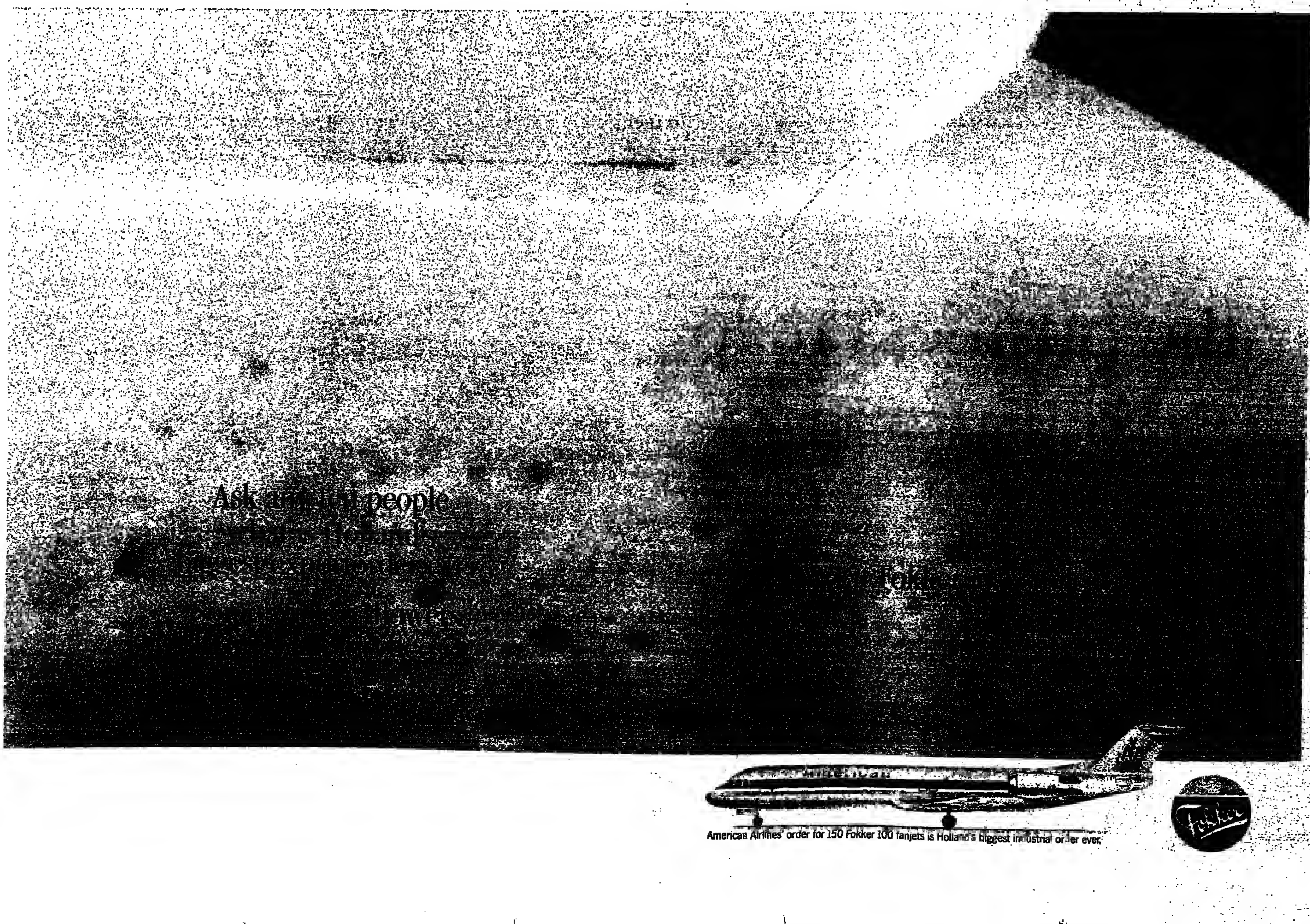
The position was not changed by granting the June 8 authority, so far as judicial review was concerned, unless the authorisation had created some sort of estoppel. That was not asserted.

The doubt created in the Inspector's mind by further information received subsequent to June 8, was in itself sufficient reason to justify the cancellation.

LORD JUSTICE FARQUHARSON agreed with both judgments.

For the companies: David Donaldson QC and Andrew Green (Freshfields)
For the Revenue: Ian Glick QC and Timothy Brennan (Inland Revenue solicitor)

By Rachel Davies
Barrister



Students take first steps into business

Charles Batchelor reports on the benefits of a scheme which brings amateur expertise to corporate problems

Andrew Kluge, managing director of Supercover (Bolton), which makes plastic rain hoods for push chairs, had to keep putting off plans to introduce a piece-work system for his assembly line because of pressure of work.

Supercover, with a workforce of 70 and projected turnover this year of £1.5m, had been growing at such a fast rate that there was never enough time to sit down to work out the details. "In a small company you have priorities and those at the bottom of the list just don't get done," says Kluge.

Finally Kluge called in outside help and last summer a piece-work system was introduced for the 12 men in the assembly shop. The outside help consisted not of a professional management consultant skilled in time and motion studies but of a third-year textile technology student, Patrick Brennan, from the Bolton Institute of Higher Education.

Brennan's formal qualifications for the job were a business management course which had formed part of his textile studies and a textbook he brought with him on the subject of piece-work systems. More important was his fresh, outsider's view of Supercover's problems and his enthusiasm for the task.

Kluge is just one of a growing number of smaller business managers to entrust important aspects of their company's development to the enthusiastic amateur. Brennan was among 285 students to spend eight weeks last summer working with a small firm as part of the Shell Technology Enterprise Programme (Step).

The programme is intended to break down mistrust between entrepreneurs and undergraduates and to give students experience of working in a smaller company. Unlike a sandwich course placement, which aims to produce a better engineer or chemist, the Step programme is intended to make the individual more enterprising and give him or her the confidence to take decisions, change things and use initiative.

The students earn £75 a week for eight weeks, most of which is paid by Step's sponsors, with a total of £150 in wages being provided by the small firm.

Step has just completed its third year. Devised in 1986 by Shell UK and run by Durham University Business School, it placed 20 students in the north-east of England in its first year and now covers much of northern England, Scotland, Wales and Northern Ireland.

The result of Brennan's work for Supercover was dramatic. Productivity in the assembly operation leaped by more than 60 per cent in the first week of the scheme and is expected to settle at around 50 per cent. Earnings have increased to reflect the rise in productivity but Supercover still expects to save around £18,000 a year from the new method of payment.

Kluge acknowledges that there was a risk in entrusting such a delicate task to a newcomer. Brennan's research into productivity levels could have antagonised the workforce and harmed labour relations. It could simply have proved unsuccessful and a waste of time.

Kluge says he was sceptical that a student "wet behind the ears" could handle the job but he interviewed several applicants and was impressed with Brennan, who, at 26, was older than most and had had work experience. "But I felt confident Patrick could do the hard work and produce recommendations which I could take as they stood or tweak the way I wanted." One or two of Brennan's suggestions were "too technical," says Kluge but Brennan soon settled in and established a good relationship with the workers he was assessing.

Though Brennan did not bring any specialist skills to his Step placement, sometimes students do have expertise which can be applied directly to the project.

Lynne Purnell, a 20-year old maths student at St Andrews University, was able to make use of her studies in her project at Velden Engineering, a Bolton-based subcontracting company with turnover of £3m and workforce of 100 people. Alex Kitchen, managing director, says the chance of having a student with maths skills was "too good an opportunity to miss."

Velden has used computers in parts of its business, including a bar-coding system for production control, for the past five years. But the company was keen to integrate the different elements into a single system covering the entire process from customer enquiry to invoicing and delivery.

Standard software packages do not cover Velden's need for a system which would calculate manufacturing times and prices, says Kitchen. He calculates he would have to spend up to £200,000 on buying in custom-tailored software so in order to reduce costs he wanted to do as much as possible of the preparatory work in-house.

Purnell says she only realised how ambitious Velden's plans were when she met other Step students who were also working on computer projects. "They were amending existing computer systems," she says. "We were the only ones attempting to write brand new programmes from scratch using the latest database technology."

Kitchen reckons Purnell did much of the "nitty gritty work" and helped the company get well into the early stages of devising a new software system. He compares her contribution to that of a management consultant, someone with an outsider's detachment and the time to look at problems for which managers and supervisors had no time.

Sportswise, a Maryport, Cumbria-based manufacturer of first-aid kits for walkers and sailing enthusiasts, was another company to benefit from this outside perspective. Michael Gregson, managing director, had devised a discount offer for people going on expeditions.

Anyone who said he or she was undertaking an expedition was sent a voucher giving 25 per cent off the purchase price. The retailer redeemed the voucher with Sportswise. The effect of this arrangement was to depress Sportswise's margins and give all the benefit of the promotion to the retailer. Yet for a three-year-old company with projected turnover of just £120,000 in 1989-90 every pound of profit is essential.

Samantha Dockwray, a 19-year-old psychology student at Sheffield University, was initially asked to design a voucher for the discount offer. But when she looked more closely at the offer and realised its financial implications she suggested changes. As a result, expedition leaders now get their first-aid kits directly from Sportswise. They still get the discount but by paying direct they increase the company's margins.

Gregson originally planned for Dockwray to design and produce a newsletter for the company but when he realised the likely cost of such a venture the idea was dropped. So Dockwray turned her hand to general publicity. She redesigned the point-of-sale packaging to achieve a stronger impact and compiled a brochure of press cuttings. In all, Dockwray calculates she carried out 15 different projects for the company.

"I am too close to it," says Gregson. "Samantha came in from a distance and said: 'If this is the message you want to get across they you must say this.' Someone coming in from the outside can come up with some valid and perceptive points." Kluge, Kitchen and Gregson were all very pleased with the work their undergraduates carried out but the placements do not always run smoothly. Some students complain they are not given enough direction by the managers while on one occasion this year the project proved too ambitious for the student's technical knowledge.

But for the most part both sides gain considerable benefits. The students contribute in very important areas of the business's development while at the same time gaining personal and business skills. "It seemed a mammoth task on the first day or two," recalls Patrick Brennan. "I felt ploughed under at first but then away you go."

Contact David Mullen, Durham University Business School, Mill Hill Lane, Durham DH1 3LB. Tel 091 374 2000, or Shell Enterprise Unit, Shell-Mex House, Strand, London WC2R 0DX. Tel 01-257 4000.

Patrick Brennan (left) saved Andrew Kluge £18,000 a year

Starting up in Spain

Untangling the red tape

Charles Batchelor reports on Mertek's experiences

Starting a business in your own country can be difficult enough. Beginning in a foreign country is even more of a challenge.

Malcolm Robb, a Scotsman, decided to set up in business for himself in Spain when his employer, Seaway Technology, decided to close down its office in Tarragona, near Barcelona. Seaway had been engaged in oil exploration survey work off Spain's Mediterranean coast but had barely managed to make profits against the local competition.

Robb reckoned that the business could make profits if it were run as an independent operation. He had also spent his savings on having a house built in the mountains behind Tarragona so he was reluctant to return to Britain.

Together with a Spanish colleague, Victor Valck, Robb struck a deal with Seaway to take over the office furnishings and some survey equipment instead of claiming the statutory redundancy payments; in Spain these can be punitive.

Robb, who is 37 years old, has technical skills — like Valck, who is 44, he is an electronics engineer — and had five years' experience of working in Spain. What he lacked was the expertise needed to run a business of his own. "I read every book dealing with start-ups that I could get my hands on," he recalls.

A Spanish Government scheme to help the unemployed start up in business provided the two men with a down payment of Pta 1.5m (£7,800) each. "Rather than put you on social security the government pays you the equivalent of two years' benefit in a lump sum if you can produce a plausible business plan," says Robb. The government does not, however, back up the money with any advice.

The two men continued to do some work for Seaway but started to look for other customers; and to help foreign companies engaged in survey-related activities to market themselves in Spain.

The expense and the time taken to set up a company in Spain meant the two men thought hard about choosing the right company name. They finally chose Mertek, a modified abbreviation of mercado tecnico — the Spanish term for marketing.

Unlike in the UK, businesses cannot be bought "off the shelf." They must be individually registered, a process which can cost up to £5,000 in professional fees and official licences and which can take four to five months. Robb got off to a slow start by going to a lawyer who wrote long formal letters but after three months had made no progress.

He then went to a younger, more aggressive bookkeeper or "gestor" who sorted out their application in a matter of weeks.

They also made a disastrous attempt in their first year to diversify into sewer inspection. They spent £15,000 of their £25,000 savings on buying the equipment only to discover there was no market.

"It was a total flop," says Robb. "We found that the Spanish do not like looking for problems which can be ignored." Three years later, however, they are starting to find uses for the equipment — such as inspecting dam bases.

> **"You can say your children are starving to death. That usually works"**

They also discovered that marketing in Spain could only be done by personal visits. A half-page colour ad costing £500 in the local daily paper was a complete failure. Even advertisements in specialist trade magazines produced no response. "No one reads the ads," says Robb ruefully.

Writing letters introducing the company also had no effect — but if a letter was followed by a telephone call Robb and Valck could usually get an interview.

The first year in business produced turnover of just £70,000 though this rose to £120,000 in the second year when Mertek began winning contracts to represent overseas companies such as AT&T, the US telecommunications group, and British Telecom, which were entering the market for marine telephone cable installations. This led to contracts for Telefonica, the Spanish telecommunications group.

In its third year Mertek expects turnover to rise to £250,000, 80 per cent of which will be from UK companies; Robb expects that helping overseas companies operating in Spain will form a growing part of the business.

Profit margins are good but Mertek has to keep a close eye on its cash flow and make sure that customers stick to its payment terms. Mertek's British customers pay in 30 to 40 days but Spanish companies expect to delay payment for between 120 and 180 days.

Government departments expect 120 days' credit but Robb says he insists on payment within half that time. "I would turn a job down rather than risk a serious cash flow problem," he asserts. "We start chasing payment on day 31. We have never had to get nasty though we have had to put the squeeze on. You can't resort to the law but you can say that your children are starving to death. That usually works."

Tax and VAT have to be paid quarterly but any repayments are only made once a year which adds to the pressure on cash flow. In fact, Robb says he considers the VAT repayment — £3,500 last year — as a form of hidden savings.

Like most small businesses in Spain Mertek makes use of an independent bookkeeper or "gestor" who keeps the books up to date; deals with social security payments; and handles most of the voluminous paperwork which the local bureaucracy imposes.

When Mertek rented a warehouse, for example, the local authority required reams of information on what materials it intended to store, what staff it would employ, who its clients were. Similarly when it set out to change the telex code from the one used by Seaway, the local office of the telecommunications authority said the machine would have to be disconnected and a new one applied for. Robb had to go to the head office in Madrid before the authority would agree simply to change the code.

"It was very complex and time-consuming," says Robb. "When you are starting a business it is the last thing you want."

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By Order of the Joint Administrative Receivers: R.M. Griffiths, Esq., FCA., and N.J. Hamilton, Esq., FCA., of ERNEST & YOUNG and Others

WINCOMBLEE PRINT & DISPLAY, LTD., STEPHEN TAYLOR ASSOCIATES LTD., (Both in Administrative Receivership)
WINCOMBLEE HOUSE, WEST VIEW TERRACE, DUNSTON, GATESHEAD, Tyne & Wear

The Valuable "HEIDELBERG" LITHOGRAPHIC, SCREEN & T-SHIRT PRINTING, ORIGINATION, PLATEMAKING & FINISHING PLANT & MACHINERY, MODERN OFFICE EQUIPMENT, TRUCKS & STOCK, etc.

ON VIEW: Two Days Prior. CATALOGUES from the AUCTIONEERS:

COLEBROOK, EVANS & McKENZIE

BUSINESSES FOR SALE

TOUCHE ROSS
CORPORATE SPECIAL SERVICES

Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the people at our main offices listed below to find out how they can help you best.

London	—	Nigel Atkinson	Tel: 01-405 8799
Belfast	—	Arthur Boyd	Tel: 0232 649111
Birmingham	—	Andrew Peters	Tel: 021-631 2288
Bracknell	—	Roger Smaridge	Tel: 0344 54445
Bristol	—	David Bird	Tel: 0272 211622
Cardiff	—	Robert Ellis	Tel: 0222 481111
Glasgow	—	Robin Wilson	Tel: 041-204 2800
Leeds	—	Ralph Preece	Tel: 0532 444741
Leicester	—	John Doleman	Tel: 0533 543598
Liverpool	—	Stephen Akers	Tel: 051-236 0941
Manchester	—	Grahame Watts	Tel: 061-228 3456

Touche Ross

Authorised to carry on Investment Business in Great Britain by the Institute of Chartered Accountants in England and Wales and in Northern Ireland by the Institute of Chartered Accountants in Ireland.

NATIONAL/ INTERNATIONAL HOLDERS, Yorkshire

A fast expanding Company working throughout the U.K. & EUROPE. Annual turnover approaching THREE QUARTERS OF A MILLION. An impressive fleet of vehicles. Old established business SHOWING OUTSTANDING AUDITED PROFITS. Experienced trained workforce. Operating from freehold depot off CITY CENTRE. Contracts rapidly increasing. Business & Property offered at £1.25 million PRICE TO INCLUDE VALUABLE FREEHOLD PLOT OF LAND M62/M34.

Ernest Wilson
The Business Specialist
Tel: Bradford (0274) 390486/721580

WEST COAST, CENTRAL SCOTLAND

22 Bed Nursing Home. Established 20 years. Privately owned. On sea front. Lovely garden with room for extension. Waiting list. Offers £500,000

All enquiries to:
Hunter Faulds & Co
Chartered Accountants
Bank Chambers, 31 The Square, CUMNOCK KA18 1AT

Exhaust World Limited

(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers, G. Ord F.C.C.A. and W.J. Kelly F.C.A., offer for sale as a going concern the business and assets of the company.

- Distributors of automotive parts (principally exhausts).
- Trading from Industrial Units at Birmingham, Bilston and Cardiff.
- Turnover approximately £1.5 million.

For detailed sales information please contact Nigel Bacon at Messrs. Ernst & Young, Windsor House, 3 Temple Row, Birmingham B2 5LA. Tel: 021 236 9151. Fax: 021 233 4194.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Cavendish Coal (UK) Limited T/A Cavcoal

In Receivership

An opportunity to acquire the business and assets of a coal mine located within an 18 acre licence area in Ayrshire, Scotland, and several mining development projects.

The Viaduct Mine — Areas A and B

- Total reserves estimated at 2 million tonnes
- 50,000 tonnes capacity per annum for each area
- Coal processed through a new 50 t.p.h. dense medium preparation plant
- Area A — established for two years
- Area B — newly developed for long wall production
- Domestic and industrial markets for the low sulphur, high volatile coal
- 31 employees

The advanced state of development in Area B, combined with the established facilities in Area A, offer an opportunity for a purchaser to rapidly increase output to take advantage of the current strong market, without incurring significant capital costs. With the large reserves, and substantial coal preparation plant, the Mine has potential for considerable expansion in the event of the liberalisation of the private coal sector.

For further information contact

J P Considine	or	R A Johnson
Cork Gully		Cork Gully
Churchill House		Kintyre House
Churchill Way		209 West George Street
Cardiff CF1 4XQ		Glasgow G2 2LW
Telephone: 0222-238623		Telephone: 041-226-4894
Fax: 0222-223361		Fax: 041-221-8256
Telex: 497682		Telex: 779395

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

PIERRE ELEGANTE LIMITED

The Joint Administrative Receivers offer for sale the business and assets of Pierre Elegante Limited, a long established designer and manufacturer of ladies skirts and trousers for leading retail chain stores, with an annual turnover of over £2 million.

Assets available comprise:

- Warehouse in Northampton – approximately 7,500 sq ft
- Leasehold premises in London, N17 – approximately 1,200 sq ft
- Comprehensive range of machinery
- Motor vehicles and office equipment
- Designs and patterns for Spring 1990 Collection
- Full order book for Sping 1990
- Stock of finished garments ready for delivery to customers
- Substantial work in progress for confirmed orders
- Comprehensive customer list

For further details please contact either Peter Phillips or Lee Manning at 43/44 Albemarle Street, Mayfair, London W1X 3FE on Telephone 01-493 2550, Fax 01-629 9444.

BUCHLER PHILLIPS & CO.

Coopers & Lybrand

For Sale
Medical Products Supplier

- Leading supplier of medical products and services to the private health care market
- 'Blue chip' customer base
- Turnover approx. £3.5 million
- Record of consistent profits
- Freehold property
- 2 UK locations

For further information please contact: Sam Passy or Vir Lakshman (01-822 4652). Alternatively, please write quoting reference PC 555 to: Coopers & Lybrand, Plumtree Court, London EC4A 4HT

CORPORATE ACQUISITIONS & DISPOSALS SERVICE

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

David Vaughan & Company Limited

In Receivership

Opportunity to acquire the business and assets of David Vaughan & Company Limited a general building contractor specialising in refurbishment and structural repairs and under-pinning. The company has an annual turnover of approximately £800,000 and order book of some £150,000 and is situated in Telford, Shropshire close to the M54.

Assets available for sale comprise:—

- leasehold property
- plant and machinery
- motor vehicles
- order book

For further information please contact the joint administrative receivers at the following address:—

John F Powell and Ian N Carruthers
Cork Gully
43 Temple Row
Birmingham
B2 5JT
Tel: 021-236 9966
Fax: 021-200 4040
Telex: 337892

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Country Chef Limited

Well established company manufacturing speciality frozen potato products.

The Joint Administrative Receivers offer for sale on a going concern basis the assets and goodwill of this specialist company.

- Scunthorpe based leasehold production premises.
- Specialist plant and machinery for frozen products.
- Turnover approximately £1m p.a.

Further information may be obtained from the Joint Administrative Receivers, P. Shipperlee FCA or P. R. Copp FCA, FCCA, quoting reference 13/GS.

SH Stoy Hayward
A Member of Horwath International
ACCOUNTANTS · BUSINESS ADVISERS · MANAGEMENT CONSULTANTS

Foxhall Lodge, Gregory Boulevard, Nottingham NG7 6LH.
Tel: 0602-626578.

Oil and Gas Properties For Sale

Ernst & Young Inc., in its capacity as Receiver and Manager of Carlyle Energy Ltd., invites en bloc offers for the oil and gas properties of Carlyle Energy Ltd. and for the oil and gas properties or shares of its 100.0% owned subsidiary, Woodbend Oil & Gas Ltd. Combined net operating oil and gas revenue for Carlyle Energy Ltd. and Woodbend Oil & Gas Ltd. exceeded $7,500,000 and $5,800,000 for 1987 and 1988, respectively.

Ernst & Young Inc. will receive sealed offers until 2:00 o'clock in the afternoon (local time) on November 3, 1989.

The sale is subject to terms and conditions of sale which can be obtained from the undersigned. The highest or any offer will not necessarily be accepted. Please contact Cam McVeigh at (403) 290-4229 to obtain further information with respect to the oil and gas properties, and if you are interested, to arrange an appointment to view the information available in the data room.

Dated at Calgary, Alberta this 28th day of September, 1989.

11th Floor, 707 - 7th Avenue S.W.
Calgary, Alberta
T2P 3H6
(403) 290-4229

Ernst & Young Inc.
For 125 Years, Clarkson Gordon Inc. in Canada

WE SELL COMPANIES.

Whatever your business, we should like to hear from principals, whether buying or selling. All types of business sought, regardless of industry, size or location. The strictest confidence is maintained.

S DEVON - LEISURE COMPLEX - 7½ acres. Prime holiday area, mod Clubhouse, Rest, heated indoor pool, Gym, 70 Caravans, 32 Chalets, Mobile Homes + 3 owners flats, substl T.O F/Hold £1.5m (Ref ZW23515N)
NOTTS - BED/KIT FURN MANU/INSTLL - Prof bus run from superbly ftd 9,000 sqft F/H Factory & Showrms. T/O £456k; at 31% GP. £450k asv (Ref ZM17480G)
S.BEDS - ELEC CONTRAC - T.O to Apr 1989,413 £697,413 & 24.5% GP £171k Estab bus major contr inc Breweries, C.C., Office/Wrhse. New lse. £150k+ (Ref ZG17184D)
BRADFORD - MOTOR SPARES WHLSLE - L/Hold prems. Proj T.O 1989/90 £450K & 21% GP. Austin Rover parts only. No tech. expertise required. Includes computer £159k +/- net current assets (Ref M22820WR)
CO. WITH ELECTRICAL ENVIRON. CONDITIONING PRODUCT - BS approved. Package incl designs/stock/on-going tech backup. Price c £100k (Ref ZG19050D)
N. HUMBERSIDE - CARAVAN RENTAL/SALES - 40 acres. Lic 400 sites. Night club/bar snacks/amuse/fish-chips/laundry. T/O £246k. GP £116k. £1.5m (Ref ZW18455YK)
E. KENT COAST - PLUMBERS MERCHANT - With secondary business. T/O £500k. Highly profitable. Substantial F/H. Price £280k (Ref ZR19968)

Write to the General Manager
Everett Masson & Furby Corporate
18 Walsworth Road
Hitchin SG4 9SP
Tel: 0462 432499 Fax. 0462 420062

EM&F EVERETT MASSON FURBY

Steel Precision Engineering Limited

Designers and manufacturers of specialised machine tools including exhaust fabrication equipment and capable of diversification.

The Joint Administrative Receivers offer for sale on a going concern basis the assets and goodwill of this well established company.

- 24,300 sq.ft. of freehold factory space in Dudley, West Midlands.
- Recently developed innovative product line with exceptional potential.
- Good customer base.

Further information may be obtained from the Joint Administrative Receivers, A. P. Supperstone FCA or P. R. Copp FCA, FCCA.

SH Stoy Hayward
A Member of Horwath International
ACCOUNTANTS · BUSINESS ADVISERS · MANAGEMENT CONSULTANTS

Waterloo House, 20 Waterloo Street, Birmingham B2 5TE
Tel: 021-633 4240.

SPECIALIST OUTERWEAR/ WORKWEAR GARMENT MANUFACTURER

Company available for outright sale.

- Midlands based, substantial blue chip customer base, attractive manufacturing licences, currently employing approximately 45
- 1989/90 projected pre-tax profits in excess of £0.1M, current order book £0.65M
- Readily transferrable manufacturing facilities would suit integration with larger production unit/spare labour capacity

For details please apply in writing to:
Mick McLoughlin, Mergers and Acquisitions Partner

KPMG Peat Marwick McLintock
1/2 Irongate, Derby DE1 3FJ
(Authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.)

COMPULAR LIMITED
(In Administrative Receivership)

Automatic Product Identification Equipment Manufacturer and Software House with own Research and Development Department available for sale as a going concern. Patents Protected Worldwide.

- Highly Skilled Labour force
- Head Office of 2500 sq ft based in Ewell, Surrey held on 20 year lease.
- 3000 sq ft Factory in Epsom held on a 20 year lease.
- Infra Red Mobile Communication Technology.
- Multi Million Pound potential order book with blue chip customers.

For further particulars contact the Administrative Receiver,

Laurence J Baehr ACA MIPA MBIM
Clark Whitehill & Co
Chartered Accountants
25 New Street Square
London EC4A 3LN
Tel: 01 353 1577
Fax: 01 538 1720

CLARK WHITEHILL & Co
Chartered Accountants

DAVID GARRICK

CITY SOFTWARE HOUSE FOR SALE

We are retained to sell a computer software house:

- *Specialising in banking systems*
- *Well-established product line*
- *PBT circa £400,000*
- *Substantial asset base*
- *Blue chip customer base*

For further details, write
KIT STENNING or
GEOFFREY DALTON

DAVID GARRICK
1 de Walden Court
85 New Cavendish Street
London W1M 7RA
Tel: 01-631 0659
FAX: 01-436 4311

SPECIALISTS IN ACQUISITIONS & DIVESTMENTS

PUBLICATION FOR SALE

Well established bi-monthly business journal with loyal blue-chip subscribers in the retail and distribution field

Box H5247, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES FOR SALE

Restaurant Facility

A quality theme restaurant in a prime site in London's West End is offered on the basis of a joint venture or management contract. It has recently been fully renovated and has seating capacity for 170 people with a total area of approximately 4,400 sq. ft.

Enquires to:
Mr R G Bowen or Ms S J Arnold,
Ernst & Young, Becket House,
1 Lambeth Palace Road, London SE1 7EU.
Tel: 01-928 2000.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry out investment business.

CFL

CORPORATE FINANCE
OPPORTUNITY KNOCKS!

We represent a substantial number of major PLC's in mergers and acquisitions who are constantly looking to acquire sound companies (UK & overseas) either for cash, equity or earn-out deals.
Although not limited to any specific business sectors we have particular requirements in the following areas : computer/telecommunications with maintenance portfolios; food; employment & recruitment agencies; office automation; industrial/commercial property.
We would be please to hear from controlling directors and principals of companies with minimum turnover £1m and pre-tax profits £100k, with no upper limits.

For a copy of our Company Link newsletter or further details please telephone : MARK DUNN A.C.A. on 0625 535733 or FAX 0625 536001.

FOR SALE
AS A GOING CONCERN

Company in receivership specialising in the production of high quality timber bathroom furniture and accessories.

- Turnover to Nov 1988 region £600,000
- Trading from leasehold premises in Scunthorpe and Grimsby
- Excellent Order Book and approx. 30 highly skilled employees

Weatherall Green & Smith
29 King Street Leeds LS1 2HP
0532-442066

Miller

MAJOR HOLIDAY ATTRACTION
SOUTH CORNWALL
Mevagissey Model Railway

With magnificent layout plus one of the world's outstanding collections. Operated from exhibition centre with adjoining shop. Income for last year totalled £33,000 from shop sales and admissions. Huge marketing potential. £225,000 for sale the issued share capital.
Ref: 499/148L.

MILLER LEISURE
Mansion House, Truro TR1 2RF Tel: (0872) 74211
Fax: (0872) 42455

FOR SALE
CONVEYOR MANUFACTURER

Long established company manufacturing conveyors for bulk and unit handling and components. Turnover £7m. Good order book. Skilled workforce.

Write Box F9241, Financial Times, One Southwark Bridge, London SE1 9HL

For Sale
PAPER AND PULP

Well known Merchants and Agents, Swiss Stock-Corporation, well situated, good returns, own capital stock, long term business, activaties in Europe and other countries, successor (chairman) is wanted. Effective respectable companies/individuals welcome.

Write Box H5243, Financial Times, One Southwark Bridge, London SE1 9HL

DISTRIBUTION COMPANY FOR SALE

The company is a major distributor of bathrooms, kitchens and a wide range of brassfoundry. Turnover is in the order of £3.5m. This business is efficiently controlled by one of the most latest computer systems. The business extends an opportunity to any existing, or similar, organisation, yet the distribution network that is in place could very well suit inter-related products, particularly for a manufacturer seeking to establish its own network of distribution.

All enquiries write to Box H5238, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

SHEET METAL COMPANY FOR SALE WEST OF SCOTLAND

Turnover £600,000: 12,000 Sq Ft Freehold premises: plus 6 acres land for development: CNC plant including turret press and press brakes: good order book: annual contracts: Blue Chip existing clients: Tremendous potential in the computer industry: skilled workforce: BS5750 applied for: may consider sales orientated equity partner with own sheet metal products.

CALL K. MARTIN ON 0292 316364

Lakey & Co

Engineering Precision sheet metal work and finishing. T/O £1.5m 11,000 sq. ft. modn. f/hold factory. Net Consideration £300K.
Meat Products manufacturer. N England. South after town. T/O £677K N.P. £158K to sole trader. Part f/hold prems. Price £1.1m.
'Frame Factory' 3 fast frame *shops*. London. T/O £½m. Profit £92K. Price £375K.

Phone (0394) 273371

BUSINESSES AND ASSETS

Be the first for information on businesses for sale and auctions by ringing our hotlines below.

Businesses for sale
0836 400 171
Auctions
0836 400 172

B & A, 23 Conduit Place, W2 1RR.

Calls charged at 25p per min. cheap rate and 38p per min. at all other times

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Buchler Phillips & Co
Licensed Insolvency Practitioners
01-493 2550

PETROL STATION

Freehold. Northants. Main A5 trunk road. Free of tie. Newly redeveloped Est. gallonage circa 1.25m gallons. £995,000. Contact the Commercial Director on 01-994 9882

90% Finance Available - subject to status

SOUTH COAST CASH 'N' CARRY FLORIST

T/O £2.1m in flowers and florist sundries.
Valuable 22 year remaining Leasehold Site comprises 25,000 sq.ft. of flexible Showrooms/Warehouse/Offices.
Re-organisation of National Group has left Regional Site not utilised.
Numerous opportunities to gain through expansion of site activity, taking advantage of ideal distribution location, excellent customer base within one of UK's largest growing conurbations.

Write Box H5257, Financial Times, One Southwark Bridge, London SE1 9HL

MERGER/ACQUISITION OPPORTUNITY

- Well known, long established and expanding post production film editing group offers merger/sale opportunity.
- The group has many 'blue chip' clients and sales approaching £2m.
- The business is primarily based in the West End of London and is supported by a regional distribution network.

Principals only please. Write Box H5266, Financial Times, One Southwark Bridge, London SE1 9HL.

MOBILE COMMUNICATION SPECIALIST

Successful, provincial company established 10 years. Airtime retailer for Cellular and Band III networks: operators of CBS repeater: PMR dealer, maintainer and installers. Prime showroom, office, workshop location. Ideal for expanding company requiring provincial base. Owners available on short term basis for smooth transition if required.
Principals only.

Write Box H5269, Financial Times, One Southwark Bridge, London SE1 9HL.

For Sale

Squash and fitness club in the Oxford area.
T/O £200k+; G/P £130k+.
Conditional planning permission for large extension including swimming pool. 15,000 square foot building on long leasehold site with all fixtures, fittings and goodwill. Offers around £375,000.

For further information please reply to Box H5262, Financial Times, One Southwark Bridge, London SE1 9HL

PRINTING

£900,000 p.a. print turnover for sale free of all liabilities. High gross margin. Good mix of customers, mainly London and 30 mile radius. Work approx. 80% 4 colour. Continuity ensured by acquisition of name of Company and rentention of Sales Director.

Please write to Box H5248, Financial Times, One Southwark Bridge, London SE1 9HL.

A Unique Business Opportunity

exists in Southern New Brunswick, Canada to become the sole proprietor of a new 31 unit attractive and modern motel. The motel will be situated on a major tourist artery north from the USA, near the beautiful Bay of Fundy where tourism is rapidly expanding.

Interested parties with $350,000 to invest should fax (506) 456 2448 or phone (506) 456 3307 for a documentation package.

A unique opportunity to acquire an old-established and fully licenced

TRAVEL AGENCY

with a current annual turnover of 7 millions.
Offers are sought for the goodwill, fixtures and fittings including recently installed computer and communication systems. The premises will be available upon valuation.

Principals only should Write Box H5251, Financial Times, One Southwark Bridge, London SE1 9HL

I HAVE A SUPERLATIVE INT. DECOR CONCEPT

ready for immediate introduction to hotels, offices, rst. areas etc on loan/rent/sale. Extremely lucrative market already exists in this field but entrepreneurial approach with this unique innovation will establish immediate market lead. Absolutely right for todays market, ideally suited also to franchising. Sale of company preferred but joint venture considered.

Phone Bert Coleman on 01 958 3574

LABORATORY FOR SALE - W.1.

Well equipped laboratory in Harley Street area. Recently re-furbished premises in excellent decorative order. For details and appointment to view call HARLEYSCREEN LTD.
Tel. 01-487 4644

CAMBRIDGE

Ladies blouse manufacturer for sale. Current production 2500/3000 per week. Turnover £250,000. Modern single storey factory.

Owner's Agents:
Robert Irving + Burns,
23-4 Margaret Street,
London W1
01-637 0821 Ref: IHB

FOR SALE DESIGN CONSULTANCY

Substantial majority in profitable, well-established, mixed discipline, London based design consultancy with seven figure growing turnover. Respondents (Principals only) should identify themselves and their trade as well as any particular interest.

Write Box H5237, Financial Times, One Southwark Bridge, London SE1 9HL

Successful timber extraction equipment manufacturer, with market leading product, fully tried and tested over three year period, seeks buyer for part or whole of enterprise with worldwide export potential.

Contact: Charlton Associates, 1 Tolson's Mill, Lichfield Street, Fazeley, Tamworth

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SECRETARIAL SERVICES BUREAU FOR SALE

Enormous potential for expansion Ground floor office in Kensington Olympie area with free car parking.
Present turnover £45,000 pa

Write Box H5265, Financial Times, One Southwark Bridge, London SE1 9HL

PARCELS DISTRIBUTION COMPANY

North London N17. Depot with large yard. Warehouse, offices, workshop. Near A10 and M25. New 10 year lease available. Operators licence 29 vehicles and 2 trailers. Turnover £300-600k. Owner anxious to sell. Contact James 01-889 0829

CONSTRUCTION & DEVELOPMENT COMPANY

Established company (20 yrs) operating in South Hampshire and with excellent reputation for constructing high quality luxury homes. Mixed property portfolio with sites at varying stages of development. Owner wishing to retire invites offers from interested principals or authorised agents.

Write Box H5239, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

CELLULAR TELEPHONE COMPANY

Established London based Cellular Airtime licence holder for sale

- steadily expanding customer base
- For sale as going concern
- Principals only please contact-

Box H5268 Financial Times, One Southwark Bridge, London SE1 9HL

COMPUTER RECRUITMENT AGENCY
(London based)

Well known with superb client base. Contract and permanent. Extensive computerized data-base. £2 millios turnover. Principals only.

Write Box H5241, Financial Times, One Southwark Bridge, London SE1 9HL

ELECTRICAL MANUFACTURERS

For sale. Nationally known range of safety lighting products. To include stock, tools & goodwill. Turnover 1.5 million. Suitable for relocation. Principals only.

Write Box H5267, Financial Times, One Southwark Bridge, London SE1 9HL

COMMERCIAL DEVELOPMENT SITE FOR SALE

Basingstoke Area close to M3 Junction 6. Site of 1.3 acres in predominantly residential area. Planning permission exists for 2900 square feet office and 5750 square feet workshop and storage.

Please Write Box H5245, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

KYLE GROUP

Carrick Business Centre
45 Carrick Street
Broomielaw
Glasgow G2 8PJ
TEL: 041-226 4410
FAX: 041-204 0895

FOR SALE

Silk screen printers-continuous roll, cut part placement and finished garments. Located in East Midlands with turnover of £900,000 pa employing 20 people in modern plant. Benefit of continuing contract with PLC, financial injection of £150,000 for good long term prospects in this dynamic market.

Write Box H5249, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Manufacturing Company in the field of fragrances and associated products. Supplying to giftware and cosmetics market. Has excellent growth record but insufficient corporate experience to fully exploit home and overseas markets.
Details write Box H5271, Financial Times, One Southwark Bridge, London SE1 9HL

Well established Fire Alarm and Detection Company

T/O £1 million +. Order book currently in excess of £1.5 million. High quality client base with substantial service revenue.

Write Box H5258, Financial Times, One Southwark Bridge, London SE1 9HL

PUBLICATION FOR SALE

Prestige computer industry magazine, targetted at corporate management. Established 1985.

Write Box H5215, Financial Times, One Southwark Bridge, London SE1 9HL

OFFSHORE COMPANY FOR SALE owning valuable West Country leisure site for development, £1.25 million. Phone Andrew Sime, Sime Surgens Chartered Accountants, (0452) 270053, (0452) 302760.

UPLIGHTERS

Engineering Company wishes to dispose of a non-core business. Advanced design of Uplighters, current T/O approx £100K. Full drawings etc., plus existing contracts.

Write Box H5254, Financial Times, One Southwark Bridge, London SE1 9HL

LONDON BASED EXHIBITION AND MUSEUM CONTRACTOR

Established 10 years. Excellent clientele. Turnover £1 million. 26% growth profit.

Write Box H5242, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Typesetting company home counties turnover circa £1.2m owners wish to retire. Principals only write

Box H5240, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

FOR SALE MORTGAGE BROKERS

Providing funds for industrial, commercial and private sector, with branches. South of England. Income about £1M. Very profitable.

Write Box H5261, Financial Times, One Southwark Bridge, London SE1 9HL

MARKETING SERVICES

London based company specialising in consultancy, corporate design and literature for the computer industry. Turnover c£1m. Established 1981.

Write Box H5236, Financial Times, One Southwark Bridge, London SE1 9HL

Mechanical Models

Steam Age, a shop in Kensington with an international reputation, is for sale. Established over 25 years. Partner retiring. Goodwill £30,000 + SAV (approx £80,000).
Please contact Susan O'Connor 01 938 1962.

THE COUTURE GROUP OF COMPANIES (ESTABLISHED 1979)

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the Couture Group, engaged in the import and wholesale of spectacle frames.
Features include:

- Couture Eyewear Limited
- Exclusive Imports Limited
- Trade name 'Couture Classic'
- Supplying multiples with "own brand" products
- Estimated turnover £1 million p.a.
- Stock £135,000
- Customer base of 4,400 and sales ledger of £183,000
- Leasehold premises in Market Drayton, Shropshire
- U.K. sales representatives

For further information, please contact the Joint Administrative Receiver:
D.J. Milburn

KPMG Peat Marwick McLintock
Churchill House, Regent Road,
Hanley, Stoke-on-Trent ST1 3RG
Telephone: 0782-202666 Telefax: 0782 202535

We are retained by a substantial number of companies (both public and private) which are seeking to grow by acquisition. We have particular requirements in the following areas: Steel Stockholding; Plastic Injection Moulding; Food Manufacturing; *Office Stationery Suppliers*; Integrated Distribution Companies.
We would be interested to hear from controlling directors or principal shareholders in companies with minimum pre-tax profits of £250,000 p.a.

Please write in first instance to Box H5232, Financial Times, One Southwark Bridge, London SE1 9HL

CONSUMER PRODUCTS COMPANY TURNOVER £10M - £50M

Professional management team with financial backing interested in acquiring a manufacturing company, preferably involved with household textiles/clothing or other non-commodity consumer products. Preferred location central or Northern England. All contacts will be strictly confidential

Write Box H5244, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

PRIVATE GROUP WISHES TO ACQUIRE BUSINESSES INVOLVED IN LEASING, HIRE PURCHASE OR CONTACT HIRE.

Please write in strict confidence to:
Tonbridge Holdings Limited,
20 Pembroke Road, Sevenoaks,
Kent TN13 1XR

SERIOUS BUYER

Interested in speaking to owners of small to medium size printing and stationery companies who wish to consider selling their business

If interested then please telephone
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ARTS

Much more to see than military history

William Packer is taken with the variety of museums in Northern France

The Pas de Calais is steeped in the common history of France and England, but unless one's interest is in military history from Agincourt to Dunkirk, the region remains for the British traveller that first stretch of indifferent countryside that one gets through as quickly as possible for Paris and the South.

But the France at our doorstep has never been more accessible, and with the tunnel in prospect can only become more so. Last week, in a party of critics and journalists, I was the guest of the Association des Conservateurs des Musées du Nord Pas de Calais. There are some 30 member museums, of all kinds, in the towns and cities of the region, and between Wednesday and Friday we were shown 13 of them by their enthusiastic and, for the most part, young curators. They were fascinating.

The Museum of Contemporary Art at Dunkirk is set within a moat in a landscaped park, with the sea as its backdrop. Dating from the early 1980s, externally it is the most impressive of the newer buildings and alone worth a visit. Its collection has yet to expand significantly beyond the personal taste of Gilbert Delaine, on whose gift it is founded, but the new mayor is ambitious for its development, and a new curator has been appointed: we shall see.

The Museum of Modern Art at Villeneuve d'Ascq, too, dates only from 1983 and again is set in a public park, with sculpture browsing on the grass. Its low brick building is the more self-effacing, but considerably more sympathetic in its interior to the practical business of showing art. Its core is the collection begun in 1905 by Jean Dutilleul and carried on by his nephew, Jean Masurel. Though again qualified by the quirks of a personal taste, its strength is in the School of Paris of the early 20th century, with major holdings in the work of Picasso, Derain, Leger, Laurens and Modigliani.

The two most beautiful modern art museums are set in old buildings adapted to the purpose. The Museum of Drawings & Prints at Gravelines is set in the town's Vauban Fortress and Arsenal, laid out in the 17th and 18th centuries with ramparts, re-entries and enfilades worthy of Tristram Shandy's Uncle Toby. The current show (about to transfer to Lyon) is a retrospective of the etchings of Jacques Villon, tracing his personal development through cubism from the 1900s to the 1940s.

That a small town and a tiny museum can aspire to exhibitions of the highest quality is a point immediately confirmed by the Musée Matisse at le Cateau-Cambrésis. Matisse was born in the town and the museum was the only one he himself established. It moved to the 18th century Palais Fénelon in 1982. The collection covers the full range of the work, with painting, sculpture and collage from all periods, but is especially strong in the drawings. Special shows apart, a representative selection of the work is always on view.

But the more usual charm of the local museum, great or small, is its miscellaneity. The Municipal Museum of Saint-Amand-les-Eaux, as its curator put it, may be the region's smallest museum but it is by far its tallest. A fine collection of local ceramics is housed in the bell tower, all that remains of the ancient Abbey. Built by an autodidact, this a bizarre inventory of the architectural orders has in its top a carillon, on which we were treated to an impromptu concert that began with "Summer Time."

The museum of the Hospice Comtesse at Lille is essentially a museum of local history, with its tiled and panelled interiors. At Douai, the museum in the old Charterhouse is strong in Flemish painting of the 15th and 16th centuries, but with a miscellany that extends to a Giambologna Venus, a Venetian woman by Veronese, a Van Dyck gentleman, Rubens, Ruysdael, Chardin, Nattier, de Troy, Corot, Courbet, Pissarro, Bonnard. And at the museum in the Hôtel Sandelin at Saint-Omer, the quality of the assortment is, if anything, even higher, making it the perfect small museum. Downstairs a row of period rooms is exquisitely set out, with paintings by Greuze and Boilly, Holbein and Gerard David, upstairs cabinet upon cabinet stuffed with porcelain, a room full of armour.

The civic museums of Calais and Dunkirk are in modern buildings replacing those flattened in the War, and though both place the emphasis on the fine arts, they too have their miscellaneous side, Calais with its lace and local history, Dunkirk with its wonderful model boats. The Musée des Beaux Arts at Tourcoing is an appealing hybrid, with ample 1930s galleries grafted onto a 19th century mansion. These are the most handsome exhibition spaces of any we saw, and perfect for contemporary shows. The permanent collection, hung generously in the largest hall, includes the charming large equestrienne by Carolus-Duran and the extraordinary Sarah Bernhardt by Georges Clairin, stretched pantherlike and predatory upon her tiger skin.

The Musées des Beaux Arts at Lille and Valenciennes are major institutions by any standard, and particularly strong in the Flemish and Dutch schools. Valenciennes is the smaller but, among much else, boasts a large collection of paintings and sculpture by Carpeaux, some delicious Paters, a great portrait by Watteau of the Pater's father, and major religious Rubens and Janssens. The modern collections were not on show.

Lille is extensive if uneven, strong in Dutch and French painting from Rubens to Lautrec. At every turn there are splendid things – van Goyen, David's Belisarius, Boilly's Triumph of Marat and a wall full of studies of his friends. There are two wonderful large Goyas, El Greco's Saint Francis, Rodin maquettes, two heads by Camille Claudel and a bas-relief of the Feast of Herod that is the only Donatello in France outside the Louvre. The early 17th century Johann Liss, of the Finding of Moses, is as fresh and free as can be, a real surprise.

*

The Paul Nash exhibition reviewed last week is at the Towner Art Gallery, Eastbourne.

"The Finding of Moses" by Johann Liss, at the Musée des Beaux-Arts de Lille

Lucia di Lammermoor

NEW THEATRE, CARDIFF

There are few more invigorating experiences for a tired hackthan a production that didn't quite work returning transformed. Such is the case with the Welsh National Opera's 1986 *Lucia*. The names of William Gaskill and Ultz are no longer in the programme, but their interesting semi-abstract concept, more John Buchan than Walter Scott (and why not?), now justifies itself triumphantly in Rennie Wright's extremely skilful re-staging.

Belief in the piece's dramatic viability shines through Wright's direction, nowhere more brightly than in the scene for brother and sister at the opening of the second act, which is as painful as it should be, and the pain lasts right through to the end of the Mad Scene. He is fortunate, admittedly, in interpreters as forceful as Frances Ginzer (a properly spirited as well as an unstable Lucia) and Mark Holland, the bullish, unimaginative Enrico.

But the real revelation is in the pit. Sir Charles Mackerras conducts the opera that Donizetti wrote, not the much-tinkered-with score that until recently was the norm. Original keys are restored (it makes a hell of a difference), cuts are opened (the whole Wolf's Crag scene, as well as the shoot-out for Raimondo and Normanno after Lucia's death), all that late-19th-century nonsense with the flute is consigned to the dustbin where it belongs. Sir Charles kept a facsimile of the autograph at his side throughout rehearsals, and uncovered misreadings that escaped the eye even of Jesus Lopez-Cobos, an earlier *Lucia*-restorer of note. Decorations of second verses are thrillingly apt.

The disposition of players in the pit follows 19th-century practice: Sir Charles stands in the middle, with strings placed antiphonally in front of him and brass and woodwind behind him facing the stage. Oddly enough, the woodwind spoke far more clearly (especially the vital clarinet), and the use of specially made narrow-bore trombones added a whole new colour to the orchestral palette. It will sound even more interesting in theatres without a pit. All of this would be of little avail were not Sir Charles a superb Donizetti stylist: his reading was of gripping dramatic fervour, revealing *Lucia* as a living masterpiece of *ottocento* theatre for which no excuses, historical or otherwise, need be made.

Miss Ginzer, whose lyric soprano has edge and character as well as the necessary agility, sustained the higher tessitura with ease; Peter Bronder (Edgardo) followed period practice by sketching in an easy E flat from the head in the cadenza at the end of the first act; Alastair Miles was a sensational Raimondo; Michael Preston-Roberts turned Normanno from a minor into a major role. Seek out this *Lucia* wherever it may be lurking over the next months – it is a real eye-opener.

Rodney Milnes

The Who

NEC, BIRMINGHAM

The Who are playing the Birmingham National Exhibition Centre tonight and there are tickets available. It's *all in a good cause*, to top up the pensions of three middle-aged millionaires who, in their time, gave a lot of pleasure and who are still prepared to have a go. You won't be disappointed.

The Who were a cult band who failed to fade away. Their era was the Britain of the late sixties, of the marching Mods, but a bizarre fate decided that they should also act as midwife to that dire decade, the seventies, when pop took itself seriously. The result was *Tommy*, the first rock opera – and the last.

Tommy gave The Who a reputation and riches and the overwhelming impact from this three-hour show, their *first for seven years*, is that the money has been shrewdly spent. There is enough brass on stage to hold a military parade; a drumkit as big as a battleship behind which new drummer Simon Phillips performs miracles, aided by a Robin-like percussionist Jody Linscott; backing singers who *also act as contortionists; and* enough light and sound to satisfy Wolfit playing King Lear.

Roger Daltrey, the Dorian Gray of pop, still stomps his foot and twirls his mike lead – and usually manages to catch it; Pete Townshend handles his guitar much better than most senior editors at Faber and Faber (in fact really rather well) and parodies his former self with a few windmill attacks of the arms and even the occasional scissor kick; while John Entwistle on bass has obviously not moved for 20 years, a stolid, efficient, back-room bass player who has turned white in his devotion to a solid beat.

You look for the cracks but there are few. Townshend, the star performer, avoids the much touted protective shield on the side of the stage to ease his incipient deafness, but the trio seem to have little genuine love for each other – there is no body contact – and, of course, much of the repertoire is pretty mundane.

But with the resources behind them operating at full blast The Who deliver some impressive early songs, once the tedious *Tommy* medley is despatched. Daltrey is perhaps confused about who he is singing "My Generation" for and lets the enthusiastic audience spit out most of it, but "Substitute" was a real winner and "Won't get fooled again" keeps its bite. The Who's attempts to be verbal yobbos are hardly seemly at their age but if the raw energy of the past has been replaced by a music machine this was still an enjoyable experience. And it was rather sweet to see the band's teenage kids bopping on the side of the stage where the groupies used to congregate.

Antony Thorncroft

Tartuffe Today

LYRIC THEATRE, BELFAST

The 200th anniversary of the French revolution is marked by a double dose of Molière in Belfast. Derek Mahon's update of *L'école des Femmes* has taken the Arts Theatre on a spin round the highways and byways, leaving the Lyric's *Tartuffe Today* to keep the home fires burning. It does so with a feeble flicker far removed from the white hot comedy of Molière himself.

It is unfortunate that Jonathan Myerson's production goes so wrong, since the equation of Molière's religious hypocrite with a sanctimonious clerical imposter gets it an inspirational start. Orgon makes a smooth transition to Simon McCluless, wealthy Belfast estate agent and fulminator against "the scarlet harlot of Rome and that Fenian lackey, Runcie." His daughter Marion prances around in school uniform, while her bullock of a rugby-playing boyfriend props up Ireland's second row, and Molière's lady's maid is transformed, in deference to the times, into a pertly managing niece, adopted by McCluless after the death of her parents.

So far so apt. The idea that McCluless's sectarian bigotry could be so mindless as to blind him a spongeing humbug creates a genuine enough platform for Molièrian comedy, but one from which the production never quite manages to leap. The problems begin with John D. Stewart's adaptation, uneasily updated from 1971 when its replacement of the original verse with a brittle idiomatic prose would probably have seemed more adventurous, and more idiomatic, than it does today.

Nothing dates more quickly than the language of satire. Giving Tartaraghan a cellular phone and adding references to Runcie are merely cosmetic changes to a play in which a grandmother's condemnation of the corruption of youth is expressed as "you Vanessa Redgrave, you," and Tartaraghan's moral anathema are summarised as "mini-skirts and bikinis and pornography." Mini-skirts and pornography, perhaps, but surely not bikinis.

The problems are intensified by an absence of the sort of farcical hysteria that might make one believe in Tartaraghan's capacity for delusion. Liam O'Callaghan plays the tyrannical patriarch McCluless without any driving sense of urgency or outrage. This becomes a major structural problem in the central scene of exposure when Fay Howard, desperately overcompensating as his wife, Eleanor, pretends to seduce the lustful cleric on the understanding that her husband – secreted in the conservatory – will rescue her in time.

Sean Caffrey does, to be fair, do his best for Tartaraghan, hair smeared across a bad patch that is perpetually scarlet with uncontainable lust or contained moral outrage, while Ann Hasson turns in a neat performance as the smart, manoeuvering niece, Doreen. But things have come to a pretty pass when the biggest laugh of an admittedly thin evening in school is the repeated slopping of alcohol from the glass of McClnlass's right-minded but wrong-footed brother-in law, played by Malcolm Douglas with tha gormless aplomb of a extra from a Ben Travers farce.

Claire Armitstead

Pinchas Zukerman

BARBICAN HALL

Zukerman's appearance on Sunday afternoon was the start of the Barbican's series of *celebrity recitals*. Partnered by Marc Neikrug, he offered a fresh, well-balanced programme – Schumann's violin music is not heard as often as it might be – but his playing was almost uniformly pallid on short of ideas.

At first it seemed simply as if Zukerman was taking time to settle and to adjust to the size of the hall. Stravinsky's *Suite Italienne*, given not in the standard violin-and-piano version in six movements, but an earlier arrangement without the Scherzino, was an almost perfunctory run-through with some strange tempi and a positively funereal start to the final minuet, and delivered with strangely centreless tone.

Parts of Beethoven's Sonata Op.12 no.3 were equally uncertain, though the slow movement at least began to take shape, and the phrasing to acquire a sense of purpose. But neither Zukerman nor Neikrug seemed willing to take firm control – the pianist's main contribution was to introduce an alarming deceleration in the middle of the first movement.

Schumann's Three Romances Op. 94 are better known in the version for oboe *and piano*, but the score does include violin as a possible alternative. The scoring, though, does demand the extra astringency that a woodwind instrument can bring, and Zukerman in this mood was unable to bring sufficient freshness to the phrasing or crispness to his sound to lift the solo line clear of the accompaniment.

In Schumann's First Violin Sonata too, little imagination appeared to have gone into the performance; there are some marvellous things to be quarried from the work – a casually elegant slow movement which is a close cousin to the intermezzo of his piano concerto, tingling canonical writing at the opening of the finale. But both players were content to skate over the surfaces, never to be faulted technically – Zukerman's facility is as impeccable as ever, and Neikrug followed hlm watchfully – yet never daring to add creative ideas of their own.

Andrew Clements

The Neville Brothers

TOWN AND COUNTRY CLUB

The Neville Brothers are a band whose time has come. Long-time legends in their native New Orleans, the Brothers have languished in relative obscurity since the mid-1970s, robbed of wider exposure in America because of an eclectic musical style that defied easy classification and political views that did not conform to the strict demands of US radio.

Now things have changed. Buoyed by the support of a few notable aficionados such as Rolling Stone Keith Richards, this year's album, "Yellow Moon", has proved a critical and commercial success. Their two dates in London this weekend were sell-outs, attracting both old and new fans, plus a sprinkling of pop's glitterati.

But the Nevilles are not letting the adulation go to their heads. With singer Aaron, 48, keyboard player Art, 51, saxophonist Charles, 50, and baby brother percussionist Cyril, 40, they are no overnight successes and their feet remain firmly planted in the rich soil of the Deep South.

The sound of the Neville Brothers is a potent Creole broth. Built on an earthy rhythm and blues stock, the Nevilles' jambalaya is laced freely with ingredients of spicy funk, sweet soul, red-hot reggae, breezy jazz, topped with a sprinkling of doo-wop, cajun and rock and roll. It is food for the heart and mind that would satisfy most appetites.

On Saturday night at the Town and Country club in north London the brothers were in top form, whipping up a Mardi Gras storm that Hurricane Hugo would have been proud of.

Cyril Neville's percussive talents on the congas, timbales, whistles and cow bells stitched a strong Afro-Caribbean seam into the multi-layered sound, while Charles' snake-charming saxophone and Art's stirring keyboard work added the haunting quality so evident on the band's recorded work.

The songs from the new album worked particularly well. "Voo Doo" was loud and funky enough to summon up the spirits from every swampland this side of the Bayou, while the rousing rap of "Sister Rosa," a tale of civil rights and racism, carried the stamp of genuine political commitment.

On the slower numbers, Aaron Neville came into his own. His clean falsetto breathed new life into the Sam Cooke classic "A Change is Gonna Come," Bob Dylan's hymn "With God on Our Side," and his own solo 1966 hit, "Tell It Like It Is."

Patrick Harverson

ARTS GUIDE

October 6-12

OPERA AND BALLET

London

Royal Opera, Covent Garden. The new attempt at a Royal Opera Ring opens with *Die Walküre*, in a production by Götz Friedrich adapted from his Berlin staging. Bernard Haitink conducts, and the cast includes James Morris, Gwyneth Jones, René Kollo, and Gabriele Schnaut. Thomas Allen gives a Covent Garden recital on Wednesday.

English National Opera, Coliseum. Kurt Weill's magnificent "Broadway opera" *Street Scene* comes to London after being shown by Scottish Opera earlier in the year. David Pountney's production, designed by David Fielding, is conducted by Carl Davis; the cast includes Kristine Ciesinski, Janis Kelly, Bonaventura Bottone, and Richard Van Allan. Further performances of the surreal, vividly theatrical production of Verdi's *A Masked Ball*, by producer David Alden, designer David Fielding, and conductor Mark Elder, with Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie in leading roles; and of *The Magic Flute*, conducted by Alex Ingram, with Thomas Randle, Joan Rodgers, Nicholas Folwell and John Connell.

Paris

Théâtre des Champs Elysées. *Der Rosenkavalier* is performed by the Paris Opera Orchestra, conducted by Georg Schmoehe in a new production, co-produced by the Théâtre Des Champs Elysées, the Montpellier Opera and the Nantes Opera (47203637).

Théâtre de la Ville. Jiri Kylian and the Nederlands Dans Theater come with a programme often influenced by Czech folklore and Slav nostalgia (42742277); followed by Karine Saporta and her company with Spanish-inspired *Les Taureaux de Chimene* (42742277).

Vienna

Staatsoper. *L'Elisir d'Amore* is conducted by Ralf Weikert, with Alida Ferrarini, Noriko Sasaki and Rolando Palerai; *Don Carlo*, conducted by Claudio Abbado, has Alida Ferrarini and Francisco Araiza in the leading roles; *Fidelio* is conducted by Adam Fischer and sung by Elizabeth Connell, Joanna Borowska and Hans Sotin; the cast of *Salome* includes Eva Maria Bundschuh and Heinz Zednik.

Volksoper. The week's operas and operettas are: *Das Land des Lächelns, Kiss me Kate; Gasparone; Wiener Blut; Die lustige Witwe; Eine Nacht in Venedig; Die Zauberflöte.*

Berlin

Opera. *Arabella*, produced by Gernot Friedel will have its premiere this week with Lucia Popp in the title role, Angela Maria Blasi, Bernd Weikl, Peter Seiffert and David Griffith and conducted by Guiseppe Sinopoli. Guest appearance of the Leningrad Ballet with Tchaikovsky's *Schwanensee. Zar und Zimmermann* brings Gudrun Sieber, Barbara Scherler, Andreas Schmidt and Peter Maus together. Carmen, sung in French, has Ludmila Schemtschuk, brilliant in the title role.

Stuttgart

Opera. *Tannhäuser* stars Reiner Goldberg in the title role, Waltraud Meier, Verena Schweizer and Matthias Hoelle. *Der Freischütz in Achim Freyer's* production returns with Helena Doese, Ulrike Sonntag, Wolfgang Probst and Toni Kraemer. Also offered *Fidelio* and *La Cenerentola. Giselle und die Wilis* is choreographed by Maricia Haycee.

Bonn

Opera. *Spartacus*, the new ballet production, choreographed by Bonn's director Yuri Vamos, proved a sensation, when it opened. *Aida* is directed by Jaques Carpo and expertly conducted by Bonn's music director Dennis Russell Davies and has an extremely strong cast with Rosalind Plowright, Lando Bartolini, Livia Budai and Jean-Philippe Lafont.

Frankfurt

Opera. *Il Barbiere di Siviglia* features Marianne Rorholm, Michal Shamir, Bruce Ford, Enzo Dara, Alessandro Corbelli. *Fire* is jointly choreographed by Laura Dean and William Forsythe. *La Bohème* has Eliane Coelho making her debut as Mimi, Patricia Wise as Musetta, Alberto Cupido in the part of Rodolfo and Bruno Pasquetto as Marcello. Britten's *Ein Sommernachtstraum* rounds off the week.

Cologne

Opera. *Madame Butterfly* is sung by Hiroko Nishida, Tone Kruse, James Hoback and Jake Gardner. Also the rarely played one act operas by Rossini *La Gambile di Matrimonio/Il Signor Bruschino* with John del Carlo, Teresa Ringholz, Janice Hall, David Kuebler, Alberto Rinaldi and Carlos Feller. *La Traviata* has a strong cast led by Frances Ginzer, Fernando de la Mora, Paolo Coni and Erlingur Vigfusson.

Rome

Teatro Dell'Opera. Rossini's *L'occasione fa il Ladro* in the recent successful Pesaro Festival production (46.17.55).

Teatro Olimpico. *I Balli di Sfessania*: traditional Neapolitan songs and dance performed by the Nuova Compagnia di Canto Popolare di Napoli.

Milan

Teatro Alla Scala. The Bolshoi Opera takes the place of the Scala Opera Company, on tour in the Soviet Union, with Mussorgsky's *Boris Godunov*, Rimsky-Korsakov's *Mlada* and Prokofiev's *Duenna* (80.91.26).

Teatro Nazionale. The Scala Ballet Company dancing Balanchine's *Quattro Temperamenti* and *Apollon Musagete*, and Flemming Flindt's *La Lecon* (4396700).

New York

Metropolitan Opera. James Levine conducts *Aida* in Sonja Frisell's production with Aprile Millo, Placido Domingo and Sherrill Milnes, in a week that also includes *Porgy and Bess* with Priscilla Baskerville and Larry Marshall, and Teresa Stratas in Puccini's *Il Trittico (Il Tabarro, Suor Angelica*, and *Gianni Schicchi*), all conducted by James Levine. Opera House Lincoln Center (362 6000).

New York City Opera. The week includes *Street Scene* conducted by Paul Gemignani, *La Bohème, La Traviata* and Hal Prince's new production of *Don Giovanni*. Lincoln Center New York State Theatre (877 4700).

Martha Graham Dance Company. After his surprising resignation from the American Ballet Theatre, Mikhail Baryshnikov dances with one of America's premiere modern classic theatres in the mixed programmes from their extensive repertory. Ends Oct 22. City Centre (581 7907).

Washington

Joffrey Ballet. Fortnight's engagement celebrates Nijinsky's 100th birthday with the first Washington performances of *Le Sacré du Printemps* and *Les Noces*, as well as a world premiere by company artistic director Gerald Arpino. Ends Oct 15. Kennedy Centre Opera House (254 3770).

Chicago

Lyric Opera. The opening production of *Tosca* with Eva Marton and Siegmund Nimsgern is conducted by Bruno Bartoletti in Deppe De Tomasi's production. Jiri Kout conducts *Der Rosenkavalier* with Anna Tomowa-Sintow, Kathleen Battle and Julian Patrick (332 2344).

Russians

FESTIVAL HALL

Esa-Pekka Salonen is in residence for much of the Philharmonia's October schedule in London. His main work with the orchestra will be to lead the South Bank Ligeti Festival; but Sunday's concert of Russian music was mainly in the nature of a 20th-century-music fanfare. (The opening work, Balakirev's *Islamey* of 1862, in the 1884 orchestration by Lyapunov, was therefore in the nature of a fanfare to a fanfare.)

It was, by and large, an exhilarating occasion. There are certain things this immensely talented young conductor still can't do with an orchestra, such as make Balakirev's central Big Tune soar – but many things that he can, and this concert seemed as good a way as any of displaying them.

The "sport" item was *The Iron Foundry*, Alexander Mossolov's steam-and-smoke piece of 1920s musical Futurism, which thunders and clangs away for five massively exuberant minutes. Any orchestra worth its name will "make an effect" here, and the Philharmonia duly did so. Of much more significance was the performance of Stravinsky's Symphony in Three Movements (which followed), since it is of infinitely higher musical value, and since the Philharmonia's current strengths (unbeatable wind and brass sections, newly lithe violins) were so fully drawn upon by the conductor.

Salonen kept the chording cleanly ventilated, the cross-cut of accents balletically springy; there was no grandiose heaviness of texture, and the unfolding drama of this great work (did Stravinsky write a greater?) was propelled forward with excellent correctness of style. Earlier in the concert, he and the players had responded with similar spryness to the "modernist" ingredients of Prokofiev's Sinfonia Concertante, Op. 132 – the ticktocking or fast-and-spiky rhythmic patterns, the wry sweet-sour flavours. But the late-Prokofiev mixture also needs a considerable infusion of graceful lyricism, and this evidently counts as Salonen's Achilles heel.

Still, since the cellist was Heinrich Schiff, a "singer" of natural eloquence, the balance of the performance came right after all. Schiff's way with this work proved less assertive, less pungently colourful, than that of Rostropovich, its muse and first soloist; the sly wit of his portamentos and understated (yet, for all that, dazzling) command of bravura seemed to me every bit as compelling. A snapped string in the middle movement, with consequent pause and re-start, did no real damage.

Max Loppert

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Tuesday October 10 1989

Thatcher's next task

BRITAIN'S Conservative Party is facing a more cloudy political future than at any time since Mrs Thatcher became Prime Minister in May 1979. As the Tories gather in Blackpool for their annual conference the underlying question before them is: "Where do we go from here?" There may be some difficulty finding a coherent answer. The task during the first two Thatcher terms of office was relatively straightforward: to clear up the mess left behind by the outgoing Labour Government. A number of important principles were put into practice with admirable determination. After an awkward start, high double-digit inflation was brought under control. Public expenditure was rationalised. The trade unions were tackled head-on. Enterprise was encouraged, and rewarded.

During this period the official Opposition was in perpetual disarray, as the former Liberal Party joined Labour Party dissidents – the Social Democrats – to fight for the centre ground. It is hardly surprising that in the immediate aftermath of the third successive Tory election victory, in June 1987, there seemed little reason to doubt that there would be a fourth triumph four or five years later. That mood of near-invincibility helps to explain why the Government felt able to plunge immediately into a heavy programme of "Thatcherite" legislation, much of which is now proving unpopular. It was sensible to aim at getting all the controversial measures through during the first two years or so, but what was not foreseen was the collapse of the centre parties and the concomitant resurgence of the Labour Party.

Economic management

The net result is that two-party politics is back. The consequence for the Tories is that a fourth election victory will be rather more difficult than seemed likely even six months ago. It is doubly unfortunate for the Blackpool proceedings that Labour's fighting strength has returned just when the Government's management of the economy has come under question. There was no choice about the necessity for raising interest rates last week, but the absence of choice reflects, at least in part, past errors of judgement. The voters may be forgiving if interest rates are brought down again well before the next election, but the adjustment may be longer and more painful than the optimists expect.

Public sector

Another important determinant of the Conservatives' future will be the Government's approach to the public sector. In one area, protection of the environment, the Prime Minister has made a good start by appointing Mr Chris Patten Secretary of State. Mr Patten has already shown that he has a feel for the concerns of Conservative voters in the south-east, not least by indicating that he will not approve of the construction of a new town at Foxley Wood in Hampshire. His statements on television go further than that: he is more in tune with green sentiment than any of his colleagues appear to be, although not excessively so by the standards of current public opinion.

A similar change of approach may be harder to accomplish elsewhere. The former Education Secretary, Mr Kenneth Baker, did well to introduce a core curriculum to Britain's schools, but in other areas the development of a satisfactory education system, especially for the non-academic majority, remains to be achieved. It is reasonable to seek administrative reform of the National Health Service, but the introduction of market jargon to a debate about a public service has not been well-received. Most politicians have an instinctive feel for the rising strength of motorists, but many drivers also understand that public transport needs greater investment.

The success of the Tories over that past decade cannot be separated from the personality and style of Mrs Thatcher. She now has to show, not just that she is responding to the changing mood of the electorate, as on the environment, but that her philosophy and reforming zeal are relevant to a set of challenges which are different in character and complexity from those she faced in her first two terms.

The US fear of foreign capital

THE RESERVATIONS expressed by Mr Samuel Skinner, US Transport Secretary, over the plans by leading European airlines to take stakes in their American counterparts once again raise questions about the willingness of the US to remain open to foreign investment. Not only do they come hard on the heels of controversial US Treasury proposals for voluntary registration of foreign investment. Some states have also this year imposed new reporting requirements which will tend to deter foreign investment. All this makes inescapable the conclusion that there is mounting US resistance to such inward flows.

The Bush Administration must resist this pressure which has arisen largely because of a jump in Japanese investment, particularly in US real estate. The US will need foreign investment to finance its current account balance of payments deficit for many years ahead. To create unnecessary restrictions would not only stifle the flow and complicate economic policy-making. It could also provoke the imposition of reciprocal restrictions elsewhere, thus jeopardising the free flow of capital on which global prosperity depends.

Behind the fuss lies a shift in ths US public perception of what constitutes national security. As they have fretted about their country's trade deficit and declining industrial competitiveness, Americans have begun to ascribe an economic dimension to national security. Economic sovereignty is threatened, the argument goes, if control over key industries passes into the hands of foreigners, particularly if they happen to be Japanese.

Small threat

Yet the real threat is small. Foreign groups still own only some 5 per cent of total US assets. Japan with investments of $53.4bn accounts for only 16 per cent of all direct investment in the US. As a proportion of host country gross domestic product, Japanese investment in the US is little more than a tenth of US investment in the UK.

So far the Bush Administration has sought to acknowledge this by pursuing a liberal foreign investment policy. Unlike its predecessor, which blocked Fujitsu's attempt to take over Fairchild, the semiconductor maker, a couple of years ago, it has allowed a foreign company, Veba of Germany, to acquire a Monsanto company involved in the sensitive electronics sector.

Officials have defended their proposed investment registration rules on the ground that they are a formality required under by the Exon-Florio amendment in last year's Trade Act. This authorises the President to block an investment which will "threaten to impair the national security." The rules are, however, deliberately broad in defining industries to which national security concerns might apply. Specifically excluded are only a handful of minor industries and services. Though nominally voluntary, the rules include a penalty for companies which fail to register acquisitions that are later perceived to impair national security. They can be required to divest at any time in the future.

Tacit acceptance

Taken together with the tougher approach to airline ownership, this suggests that current policy does embody a worrying degree of tacit acceptance of pressures for applying a broader definition of national security to inward investment. This could open the door to arbitrary restrictions covering anything even indirectly connected with defence.

Such an approach is hardly compatible with an open foreign investment policy whose guiding principle should be non-discrimination against foreigners in setting competition policy or any other form of regulation.

It is internationally accepted through the Organisation for Economic Co-operation and Development that national security concerns may legitimately present an exception to this rule, but the OECD leaves it up to its members to define what this means. The US now needs to establish such a definition which would lend transparency to its investment policy. If it is to avoid sliding deeper into protectionism, it would be best to keep the definition as narrow as possible.

Peter Marsh and James Buchan on biotechnology and the market place

Prospects undimmed by slow progress

AFTER 10 years of much scientific progress but little in the way of commercial results, biotechnology remains the great white hope of the international pharmaceutical industry.

Biotechnology – which describes a group of biology-based research methods invented in the past 15 years and based on gene manipulation – gives scientists a powerful new armoury against disease. But turning the ideas into new products has been slow.

US companies such as Genentech and Amgen, set up in the late 1970s and early 1980s expressly to capitalise on biotechnology, have developed a small number of biotech-derived drugs, based on copying natural molecules. These drugs reaped sales revenues of no more than about $1bn (£624m) last year, which is tiny compared with the $120bn-a-year sales of the world pharmaceuticals industry.

But many in the biotechnology industry are not dismayed. "The world expected too much, too quickly," says Mr Walter Gilbert, a professor at Harvard University who is among the US's foremost biotechnology experts.

People like Mr Gilbert point out that the new medicines made by relatively small, young companies like Genentech and Amgen are just one face to the biotechnology business. The other concerns the deep inroads that the new biology has made in altering research and development strategies in giant drugs companies including Merck of the US, Britain's Glaxo and Ciba-Geigy of Switzerland.

The progress in this direction has been the main reason for the bullish forecasts about the the future market for biotech-based drugs, which some believe may jump to the region of $10bn a year by the late 1990s.

Healthcare-related work in biotechnology has two distinct thrusts. The small biotech companies and the pharmaceuticals majors view these areas with differing degrees of enthusiasm.

The first thrust marked the initial phase of the biotech industry in the early 1980s and has featured mainly the small companies. It concerns scientific efforts to splice genetic fragments into bacteria and cell cultures to modify the way these organisms make proteins – natural biological materials essential to life.

In this fashion, the bacteria can be made to turn out large quantities of useful proteins like synthetic insulin and human-growth hormone which are difficult to make by extraction from humans or animals. These genetically engineered substances feature among the first biotechnology products, another of which is tissue-plasminogen activator (TPA), a copy of another protein. It is used to treat heart-attack victims and is made by Genentech.

The second broad biotech push, more evident in the past three years, may turn out to have more profound implications than the straightforward idea of copying natural molecules. This is where the drugs majors have shown the most interest.

The work is aimed at using insights from biotechnology, mainly concerning the mechanisms by which proteins and other natural materials interact in the body, to design new drugs of a kind not found in nature. It involves tailoring new drugs to work in a specific way, using an amalgam of biotechnology techniques and classical methods of chemical synthesis.

Customised, biotech-based drugs appeal to the big healthcare groups for several reasons:

● Selling copies of proteins present marketing problems. They are large, complex molecules which cannot be taken orally, but have to be injected, which is often messy and inconvenient. Most conventional pharmaceuticals companies are mainly interested in mass-market products for treating common ailments like heart disease and arthritis and so want to concentrate on small molecules which can be taken by mouth.

● Working with small molecules involves disciplines in which the big companies are already expert. They are good at the chemical synthesis which is a vital part of the work. They have also honed the development skills needed to bring such products to the market. Such companies also have the deep pockets and patience necessary in an industry where a new medicine commonly takes 10 years and $100m to develop.

● Large proteins are much more difficult than small molecules to patent. That is either because they exist in nature or because rivals can, without too much trouble, invent a derivative which has essentially the same performance but which skirts round the patent protection.

These factors explain why many large drug companies are spending millions of dollars on biotechnology, largely integrating this with conventional research methods.

The work is centred on influencing what happens at specific protein sites called receptors. Biotechnology has given scientists fresh insights into how proteins and other biological organisms in the body bind with each other at these sites. With this knowledge, researchers think they can synthesise new small molecules which bind on their surface molecular segments mimicking natural receptors.

The new substances may be able to influence or stop altogether natural processes in the body which are based on receptor binding and take place during the onset of conditions like cancer or heart disease.

The new biotechnology, based on locating a problem in a physiological interaction and designing something to alleviate it, has accelerated the shift in the medicines industry towards what is called directed drug discovery. It has found it harder in recent years to come up with new products by the conventional route of randomly testing thousands of artificial chemicals for signs that they check disease, before modifying the most promising substances by synthesis.

As a result of the new approach, scientists in many big drugs groups think they are in a better position to design therapies for a number of illnesses including Alzheimer's disease, AIDS and the common cold.

Merck, the world's biggest drugs company, has in the past unleashed many new products from conventional drugs. It is now marketing a genetically engineered vaccine for hepatitis B and has made a ground-breaking contribution to the understanding of the AIDS virus which could lead to new therapies in the 1990s.

Mr Hugh D'Andrade, an executive vice-president and biotech champion at Schering-Plough, another big US drugs group, says many of the most promising products passing through the industry's research pipelines are biotech-based. "In the 1980s you've got all the new products from biotech, and from traditional pharmaceuticals only a few things like Merck's Mevacor [a highly successful cholesterol treatment]. The balance is probably in biotech's favour. We went in heavily in 1981, but if we hadn't then, we'd have had to in 1983 or 1985. Traditional screening of organic compounds will still have a role: nature is parsimonious and a lot of the proteins that interact with receptors are found naturally. But we'll be screening them across receptors that have been cloned (duplicated artificially)."

While the emphasis in discussion on biotechnology has swung towards the activities of the large, rich drugs companies, the small groups still make plenty of impact. A case in point is Amgen, which in June received US Government permission to sell a drug called Epogen. This is a copy of erythropoietin, a protein made in the kidneys to stimulate the production of red blood cells. It will be used to combat anaemia in kidney patients.

The approval, the first in the biotech industry since 1987 when Genentech was allowed to start selling TPA, gave the business a psychological boost. But the small companies in the industry still make some onlookers uneasy, partly because of the patent problems – Amgen is facing a patent battle over Epogen with Genetics Institute, another US biotech company – and partly due to cultural questions. Some investors doubt whether the small groups can discipline themselves to develop and gain approval for their discoveries and sell them into conventional drug markets.

'This isn't Silicon Valley . . . There is not a venture capitalist who has not lost money in biotech'

Mr Robert Kunze, a banker at Hambrecht & Quist in San Francisco and one of the biotech industry's leading venture capitalist, says: "There was this theology among the scientists round here that if you worked as a team and had a company cheer like Genentech, you'd go further than the regular drug companies. They were very naive and so were investors who thought this was another electronics industry. This isn't Silicon Valley: there are major technical, regulatory, patent and marketing risks. There is not a venture capitalist who has not lost money in biotech."

Against these gripes is the fact that many of the young biotech companies are already trying to turn themselves into mainstream pharmaceutical groups, licensing some of their ideas to bigger companies and also building up their own development expertise to get drugs on to the market using their own resources.

An example is Genentech, which has its own sales force for TPA and is working on a product which may have a big impact on AIDS. This is a drug called CD4, which acts as an AIDS "decoy." It is based on knowledge of how AIDS viruses bind via protein links to cells. It has in its outer layers precisely the correct protein gateway or "receptor" to attract the viruses; by flooding the body with CD4 they can be decoyed to other sites rather than attack body tissue.

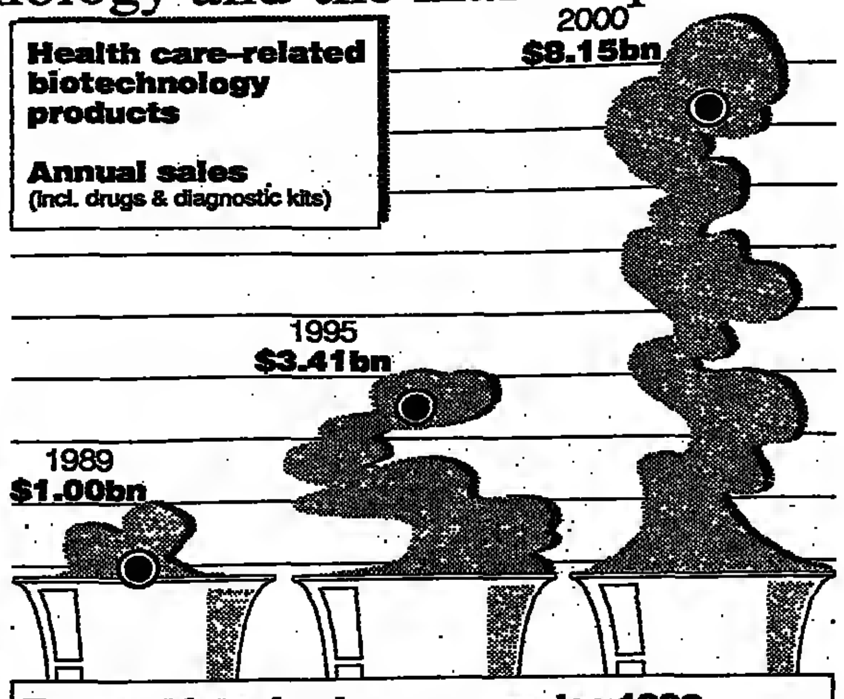
Dr Stephen Sherwin of Genentech says: "As horrible as AIDS is, think just how horrible the outlook would be if we did not understand the molecular biology of retroviruses (the broad category of biological organisms to which the AIDS virus belongs)."

Cetus, another small US company, has developed a technique for amplifying tiny amounts of genetic code and making millions of copies. This "haystack of needles," as ths company likes to describe its gene amplification technology, has already made possible a highly accurate test for the AIDS virus and a forensic test that can identify a killer or rapist from the genetic information in hair or semen.

Mr Gerard Fairtlough, chief executive of Celltech, a leading UK biotech company, disagrees with the idea that the big companies are likely to gain the most from the technology. He thinks there will be plenty of niche drugs areas, based on proteins and targeted at specialist hospital sectors, which will give biotech groups good revenues. Also he says that proteins centred on natural products may turn out to be more useful than chemically synthesised drugs whose interactions with biological processes are not always well understood. "It takes a lot to beat nature," says Mr Fairtlough.

Some observers such as Mr D'Andrade believe that Wall Street is too gloomy about future markets for biotech drugs. Part of the problem was Wall Street's own exaggerated expectations for TPA, which caused a big splash when it was launched in 1987. TPA was hardly a disappointment by most people's terms; its sales should top $200m this year. But Wall Street was hoping for a $1bn-a-year drug.

Over at Genentech, about whose future financial analysts have expressed some doubt over the past year, there is a confident mood. "If you'd arrived from another planet, and didn't havs all these expectations, you'd be amazed by what we have achieved," says Mr Robert Swanson, the company's chief executive. "By the turn of the century, I promise you, every new drug will be touched in its development by biotechnology."



Top ten biotechnology companies 1988

	Total revenue $m	Net income/(loss) $m	Employees	R&D expenditure $m
GENENTECH	334	21	1,700	133
BIOSYSTEMS	132	17	1,000	16
CETUS	64	(23)	880	61
CENTOCOR	60	4	380	34
AMGEN	53	10	430	30
DIAG. PROD.	47	12	400	3
BIOGEN	30	(1)	250	24
GENETICS INST.	30	(11)	500	48
COLLAGEN	29	(1)	300	1
GENZYME	26	0.7	250	6

Source: Consulting Resources Corporation

Mitterrand's secret game

■ The gentle art of golf has helped several state leaders to bear the burdens of their responsibilities. President Mitterrand, President of the French Republic, is no exception. Yet his fondness for the sport is beginning to provoke disloyal thoughts among some of his co-citizens, which is remarkable given the French taste for allowing their Presidents a certain leeway in their personal lives.

Word has been going round the country's most exclusive golf clubs, in the outer Parisian suburbs of St-Germain-en-Laye, St-Nom-la-Bretèche and La Boulie near Versailles, that the President has been enjoying certain privileges.

Those are the clubs where Mitterrand likes to play a round of golf every week or so with a friend, usually André Rousselet, chairman of Canal Plus, the French pay television channel.

The President likes to venture out when possible on the days when the clubs are closed for grass cutting and maintenance, usually Mondays and Tuesdays, so that he can get a nice clear run. The clubs' presidents have been happy to oblige, even on occasion offering to waive the green fee, or letting Mitterrand go to the front of the queue on open days.

Unfortunately, this does not go down too well with the members, who are not – to put it mildly – the Socialist Party's strongest supporters. They have even taken to locking the doors against the President, or so I am assured by distinguished members of two of the clubs in question.

Mitterrand arrived at St-Germain-en-Laye a fortnight ago, as usual in the unmarked car used for these occasions. On finding the doors closed, he was obliged to change into his golfing kit on the back seat. The President's only leisure interest listed in Who's Who is table tennis.

OBSERVER

Reserve asset

■ Strange things happen when businessmen go on television. Einion Holland, the chairman of Pearl, put the case the other day against the group being taken over by the Australians, AMP. He did it from his office.

In response, he received a letter from Christopher Weston, chairman and chief executive of Phillips, the fine arts auctioneers. "I realise that you have got plenty on your plate at present," the letter went, "but noticed in a television interview that there was an extraordinarily fine looking commode in the office from which you were speaking."

Weston went on to offer a valuation of the commode for insurance purposes, and indeed of any other fine items that the Pearl may have.

Tory audience

■ One of the people who best understands the Tory Party Conference is Michael Heseltine who, being out of office, no longer makes his speeches from the platform. He can sometimes be found observing the conference from all sorts of obscure positions. "The people out there," he will say, "they're trying to tell us something. The thing is to find out what it is."

And it is quite true that the conference is not as predictable as is often suggested. There was an occasion a few years ago when there was a sudden outbreak of anti-Americanism as a speaker was cheered for referring to "that nauseating Yank, Teddy Kennedy." You can can never quite tell how the floor will react to anything, except perhaps to the Leader.

Nigel Lawson has never treated the annual outing with Heseltine's seriousness. He was surprised once to be given a standing ovation for a rather low key speech when he was Secretary of State for Energy. More recently, he has been cheered as the Chancellor who won the election and for throwing in a few good jokes.

How he will go down when he speaks on Thursday is anyone's guess, for he is likely to be criticised if the pound is falling and equally under attack if interest rates have gone up again. There is not a lot new that he can say. The eyes should be on the audience rather than the speaker.

"At least Stalin didn't make us go to fringe meetings."

Price of music

■ Claudio Abbado was a surprise choice for Berlin. Most observers thought that be was content to remain in Vienna where his contract gave him a guaranteed number of new opera productions as well as concerts with the Vienna Philharmonic.

It was also thought that his rather listless rehearsing style was out of keeping with the North German mentality that still pervades the Berlin Philharmonic. Abbado's strengths are during the concerts, not before.

He was the compromise candidate. He is less autocratic than Riccardo Muti and can speak German. He is easier to work with than the American, Lorin Maazel, and unlike the other American contender, James Levine, Abbado is equally at home with symphonies and opera.

The contract, however, is not quite complete. Berlin always had Herbert von Karajan on the cheap. He conducted his agreed minimum number of concerts each season, but made the bulk of his money from recording and video work, and from moving around the world. No successor will be allowed the same privileges.

Abbado is likely to have to spend at least 12 weeks a year with the orchestra, and his initial contract will be probably for five years. For that, he will expect to be highly paid, in view of the other work he will be giving up.

There may be a question of politics here. Will the Social Democratic-Green coalition in Berlin agree to to pay up? Walter Momper, the Social Democrat Governing Mayor, is a regular concert-goer and there is much to be said for the Berlin Philharmonic as a kind of cultural flagship for the city. Still, the Greens may be less happy to pay international rates. The ultimate paymaster of the orchestra is the Berlin Senate.

Rare trip

■ The Nottinghamshire Chamber of Commerce and Industry is mounting another trade mission to Iraq. Its application form states: "As you will probably know, participation in a Mission offers one of the few ways to enter Iraq and usually provides exemption from the compulsory AIDS test."

LETTERS

Clarity in foreign acquisitions rules in US

From Messrs Joel F. Brenner and Irving M. Pollack.

Sir, Frank Cooper ("When foreign owners surrender control," FT, September 27) deftly summarises the salient points of the rules governing foreign ownership, control and influence ("FOCI") in the US defence industry. However, he leaves the misleading impression that the US has adopted an irrational regulatory scheme. Mr Cooper is right to say that the FOCI rules do not give "the management of a British investing company anything like the degree of control influence or information that would apply to a subsidiary in Britain or in many other countries." Who would expect it to be otherwise? The takeover of a defence company by a foreign investor presents genuine security concerns. It is difficult to imagine that the British government would not agree.

Most foreign acquisitions on which the new rules will be invoked will not involve the takeover of true defence subsidiaries and will fall instead into one of two categories. The first is a *minority* interest either in a defence company or in a company with only a marginal interest in defence work. These cases are unlikely to disturb the regulators, and any actions of the regulators are unlikely to disturb the investor, who will not expect the usual subsidiary relationship.

Second, the foreign investor may seek a controlling interest in a company with significant but incidental defence contracts. In these cases, the defence contracts can be spun off into a subsidiary. Any stringent controls imposed by the US government will then apply only to the subsidiary, not the parent. If, indeed, the acquisition is not motivated by the existence of the defence work, the foreign investor is unlikely to be seriously inconvenienced by this arrangement.

Incidental defence involvement by large US companies is now common, however, and this presents a pitfall for unwary investors. The danger is that acquisitions can be seriously delayed through failure to anticipate the new rules and through unfamiliarity with the regulatory regime. To date, however, even substantial national security concerns have been dealt with flexibly by the regulators in ways that satisfy overseas management.

A deeper concern about the FOCI rules is that they apply not only to defence industries but literally to any acquisition that may be deemed, on any grounds, to affect national security. For example, the acquisition of a communications firm has propaganda potential. Is it covered?

An expansive interpretation would be a sorry development. The fact that the rules are now administered with perspective and intelligence is inadequate comfort. The rules are subject to xenophobic abuse, and the lack of standards governing their scope is unsatisfactory. Narrower guidelinee would alleviate these concerns and provide a brighter line to parties intereeted in pursuing acquisitions involving possible national security concerns – and possible divestiture.

In addition, a procedure for seeking interpretive advice would greatly enhance compliance with the national security programme and avoid costly unsuccessful acquisition attempts. These improvements would be particularly welcome since some US firms can be expected to acquire a defence subsidiary for the sole purpose of making a foreign take-over more difficult.

There is no realistic possibility that the US Government will back away from rules of this kind. Nor should it. As administered, these rules are far less trouble than Mr Cooper makes them out to be. We have seen no reason why a foreign investor should be deterred from proceeding with an acquisition that does not, in fact, endanger US security interests.

Security concerns must not lead to broad ecooomic regulation on nationalist grounds, however. Such a development would be contrary to the broader trade interests of the US and its allies. Official clarity on this point is much to be desired.

Joel F Brenner,
Irving M Pollack,
Storch & Brenner,
1001 Connecticut Avenue NW,
Washington DC

Advertising's effect on drinking

From Mr P. Mitchell.

Sir, Christopher Parkes's review of new research on drinks consumption and advertising ("The influence of affluence," October 5) is most useful in revealing new thinking on a much debated topic. But it failed to highlight that the two research studies examined are as comparable as chalk and cheese in their statistical and scientific reliability.

Mr Duffy's major study, showing no material relationship between total drinks consumption and advertising levels, strongly confirms previous evidence from various countries and sources. It is a large-scale analysis, using many data established over a long – 20-year – time scale.

Contrast this for scientific soundness with Dr Aitken's small study which suggests a possible advertising influence on under-age drinking. It uses a very limited, one-time sample of 150 youngsters from one Scottish city. Hardly a representative or in-depth analysis.

No one would question that better, research-based understanding of young people's behaviour, whether in regard to drinking or other activities, is desirable. But we should beware of doubtful conclusions drawn from narrow, small-scale research such as Mr Aitken's which can arrive at questionable results. A breadth and depth of investigation is needed to arrive at sound judgments – like that supporting Mr Duffy's re-confirmation that advertising appears not to be a significant factor in overall drinks consumption.

P. Mitchell,
Strategic Affairs Director,
Guinness plc,
39 Portman Square, W1

Planning

From Mr Dennis J. Fowle.

Sir, Christopher Patten's proposed changes in the planning guidelines should be welcomed by all (save the developers) who live in the over-crowded south east. He talks of leaving as many decisions as possible to local councils, which is quite right.

Justice requires that more than one person (a ministry inspector) determine appeals. *Perhaps we should appoint* local planning commissioners to decide all appeals unless they are of national significance, when a ministry inspector could take the chair. One person should not be able to over-ride a decision taken by an elected local authority.

Dennis J Fowle,
Dalbury,
Lower Road,
East Farleigh,
Maidstone, Kent

Interest rates and sovereignty

From Mr Stanley Crossick.

Sir, The UK Government argues that participation in monetary union as proposed by the EC is a derogation of sovereignty. On October 5, the German Bundesbank increased its interest rate by 1 per cent. Within one minute, the UK followed suit as did five other member countries, including France.

This does not suggest that the UK has mnch independence and, therefore, any real sovereignty in monetary matters from which to derogate. If there were a monetary union which included the UK, at least the UK would have been consulted.

Stanley Crossick,
C&L Belmont,
av. de Tervuren 2 b 3,
Brussels

Working week

From Colonel H.A.J. Jordan.

Sir, There is more than a little irony in the figure of 24,000 threatened job losses which Mr Gavin Laird quotes in the context of Ferranti; and his accusation of media double standards is ridiculous ("Workers' control – of top companies, rejected," October 3).

His own union, the AEU, is at this moment targeting seven key engineering sites for ballots for strikes in support of a 35-hour week – the *shortest* in the industrialised world. It is a sombre coincidence that these *sites employ 24,000 people who* are being asked hy their unions to be shock troops. If they strike, they will place their own and many other jobs at risk.

Independent studies indicate that 66,000 jobs in engineering, and 350,000 jobs throughout the entire economy would go by 1993 as a result of a 35-hour week alone. They also show that engineering production would fall by over 2.5 per cent; that there would be a similar fall in exports; that retail *prices would* be *pushed up by 3* per cent over three years and that investment would suffer.

Mr Laird's pursuit of this irresponsible course could well be described as "stealing his members jobs." It is his good fortune that so far the so-called double standards of the media have not exposed the union's staggering irresponsibility.

H.A.J. Jordan,
Scottish Engineering Employers' Association,
105 West George Street,
Glasgow

Current account deficits

From Professor M. Artis.

Sir, Is not Professor Thirlwall (Letters, October 4) allowing himself to be sidetracked *on the issue of current account* deficits? In a world of highly integrated capital market financing, such deficits are not likely to be a problem for developed countries which are within their solvency constraints.

Accordingly, deficits as such are not the issue. They reflect savings-investment imbalances which, among other things, depend on past or present policies. *These policies* may be overdue for critical appraisal, as, for example, is the present *Government's excessive* reliance on the interest rate to control inflation. But the balance of payments implications of this policy are not among its more important weaknesses.

There is an important exception to this point: if enough people erroneously act as though the current account deficit as such does matter, and most especially if the government does, then the market will follow suit and the basic error will never be discovered. It is important to be aware of this possibility, but it is not one to be pandered to.

Professor M. Artis,
76 Bexton Road,
Knutsford,
Cheshire

Shoes in East Germany

From Mr J.C. Foster.

Sir, David Goodhart's article "A step ahead of other manufacturers" (FT Survey, October 3) refers to the agreement I signed at the Leipzig fair in my capacity as managing director of United Machinery Group Ltd (UMG). He has sketched the background to the agreement in vivid and substantially accurate terms, but I would like to correct the statement that "the main point of the deal from (our) point of view is becoming favoured machinery supplier to the Kombinat."

UMG and its subsidiaries – British United Shoe Machinery in Leicester, and Deutsche Vereinigte Schuhmaschinen GmbH in Frankfurt – were, we believe, already highly favoured suppliers of machinery to the Kombinat Schuhe well before this agreement was signed. While one of our important objectives is, of course, to to maintain that position by every legitimate means, the aims of the agreement were much more extensive and go far beyond anything that we could hope to achieve through a simple supplier relationship.

The agreement, for example, envisages joint machinery development projects, joint machinery manufacturing programmes and the sale by UMG of East German-manufactured machines in world markets.

J.C. Foster,
United Machinery Group Ltd.,
Ross Walk,
Belgrave,
Leicester

Leather goods in the UK

From Mr J.T. Henwood.

Sir, Having survived an import penetration level of over 80 per cent in the supply of small leather goods, handbags and belts, the British leather goods manufacturing industry should now he *looking forward to a period of* consolidation in which opportunities can be created for increasing market share in the UK. However, growing pressure by the multiple retail buyers to force UK manufacturers' prices down to unrealistic levels is once again putting the industry in jeopardy.

The varying discounts on manufacturers' prices now being demanded, and potential new ones, could result in a new decline in the size and success of domestic suppliers.

These unjust trading practices include the application of discounts ranging between 5 and 10 per cent for cash, distrihution or non-returnable faults; arbitrary fines for correcting minor errors based on labour rates of £10 per hour or *more* and calls *for price* reductions in mid-contract. There are also requests for delayed deliveries and part cancellation of orders if the retail trade is not buoyant.

Our members are calling for a new climate of fair play from the retail sector before the whole industry is permanently affected.

J.T. Henwood,
British Leathergoods Manufacturers' Association,
27 Frederick Street,
Birmingham

The pensions debate: when to retire and how much it will cost

From Mr Alan Smallbone.

Sir, Your leading article ("A sexist policy on pensions," October 2) while referring to the "social reality of de facto earlier retirement ages," makes only oblique reference to the reasons for this under the description "corporate redundancy schemes."

The unpleasant truth is that the nature of "final" pay pensions encourages companies to lay off staff early, because the last decade of a 40-year career doubles the cost of such pensions. Few finance directors believe that a 100 per cent increase in expenses is good value for a 33⅓ per cent increase in years of service. No wonder 47 per cent of males between 60 and 65 are not in work.

Alan Smallbone,
Lloyd's,
One Lime Street, EC3

From Mr David Lindsay.

Sir, Congratulations on your forthright leader and to the Equal Opportunities Commission for its bold challenge to the Government on discrimination in National Insurance contributions, albeit after a little friendly prodding by the Campaign for Equal State Pension Ages (CESPA).

You rightly ask whether pension ages should be levelled down or up, but surely this question was effectively answered earlier this year when it was enacted that the state pension would no longer be a "retirement" one, but become an "age" one, divorced from retirement? The only future link, therefore, between pension age and retirement (full or partial) should be to set the age no higher than that at which a significant number of contributors are either retired by their employers or feel compelled to retire as a consequence of personal circumstances. That clearly points to 60, subject, perhaps, to a qualifying years condition – 44, for instance – to begin with.

You have started an important discussion. It should not be allowed to lapse until the issue is resolved.

David Lindsay,
Chairman,
CESPA,
36 Orchard Coombe,
Whitchurch Hill,
Reading,
Berks

From Mr Stephen Wynn.

Sir, Your leader concludes "the male of the species deserves a better deal." The probability of a woman drawing income support after retirement is about 50 per cent more than that of a man of the same age – rather more at the higher ages and less at the lower ages. Females, therefore, deserve a better deal. The achievement of equality between the sexes in the area of pensions is not possible, particularly because bringing up children does not have its occupational pension scheme.

More flexibility in state and occupational pension schemes is, however, desirable. The US has the Age Discrimination in Employment Act and supporting state regulations which prohibit mandatory retirement on grounds of age, with some exceptions, airline pilots being one example. Mandatory retirement ages should also be prohibited in this country.

Stephen Wynn,
8 Clarence Gardens,
Brighton,
Sussex

FOREIGN AFFAIRS

Time to dust off the relics

Robert Mauthner argues for an urgent reappraisal of the Commonwealth

The Commonwealth, that quarrelsome hotchpotch of nearly 50 states, linked mainly hy a common British colonial past and language, will be gathering for the biennial joust between its leaders in Kuala Lumpur next week, wondering, as usual, where it is going. The Heads of Government will be celebrating the 40th birthday of the founding of the modern Commonwealth, traditionally a good time for reappraisals. They will have to face the fact that the absence of any real concept of the Commonwealth's role in the world has begun to threaten its very survival in any meaningful form.

That statement assumes that its members really want the organisation to survive, which has not always been obvious. Mrs Margaret Thatcher who, in recent years, has become the whipping girl of the "new" Commonwealth - those African, Asian and Carihbean countries who attained their independence after the Second World War - clearly has reasons for doubting that British interests continue to be served by the organisation. But it *is* one thing to be dissatisfied with an institution as firmly rooted in British history as the Commonwealth; it is quite another to provoke its demise.

"The Commonwealth is beginning to acquire almost the status of a Grade One listed building," Professor Dennis Austin wrote in a Chatham House paper last year. "Its demolition may not be allowed, although whether, like other historic structures, it will come to house more than the relics of its past, is another matter."

Today'e relics, of course, were yesterday's useful pieces of furniture. Forty years ago, Britain may have been exhansted by its wartime efforts, but it was still one of the great powers and, with the exception of the self-governing Old Dominions and India, which achieved independence in 1947, its Empire was still largely intact. Quite apart from the strong trading links which had been forged by the system of imperial, and later Commonwealth preferences, the traditional bonds between Britain and its senior offspring such as Canada, Australia and New Zealand had, if anything, been tightened by their comradeship in arms during the war.

At the start of the period of decolonisation which saw one after the other of Britain's colonies accede to independence, Britain therefore viewed the Commonwealth as a kind of extension in another form of the Empire, with the Crown acting as its cement. Not only would Britain be able to safeguard its trading links and continue to exercise considerable influence on its former dominions and colonies, but its status in the world at large would be enhanced by its leadership of such a large and diverse group of nations. It was not just a one-way street, however. The newly independent nations, more insecure than their leaders would have the world believe, were qnite happy to shelter under the umbrella of what was still seen as a group with a powerful voice in world affairs.

That roey picture eoon changed for two main reasons. In 1961 - only 12 years after the London Declaration which created the modern Commonwealth - Britain was already making formal moves to join the European Community. Though, thanks to the late President de Gaulle of France, it took another decade before Britain could force the door of the EC, the writing was on the wall. Theoretically, Britain's foreign policy was still based on the three interlocking circles of the Commonwealth, the US and Europe. It soon became clear during its EC entry negotiations, however, that Britain's traditional patterns of trade based on cheap food imports from the Commonwealth would change radically as the result of acceptance of the EC's membership terms. And, admit it or not, membership of the European Community had far-reaching political implications which excluded *Commonwealth countries.*

Something was saved from the wreckage, it is true: association arrangements for some of the Caribbean and African states and territories, steadily declining lamb and dairy import quotas for New Zealand, duty free entry into the Community of Indian tea and jute mats. But Britain'e move had created a psychological shock and underlined the painful reality that national interest would always take priority over the general good of the Commonwealth.

However, Britain was not the only one responsible for the transformation of the Commonwealth into a very different animal from that conceived in 1949. *It was understandable* that the newly emancipated African, Asian and Caribbean countries ehould continue to be greatly concerned with racial equality after their own decolonisation. It was also natural that they, together with other Commonwealth members, should do their utmost to try to change the apartheid policies of South Africa and to bring about majority rule in Zimbabwe, a goal finally achieved in 1980. In the process, however, the Commonwealth has become virtually a one-issue pressure group, preoccupied almost to the exclnsion of anything else with fighting racial discrimination.

'The Commonwealth begins to acquire almost the status of a Grade One listed building'

There is no subject more important, Shridath (Sonny) Ramphal, the Commonwealth Secretary General, proclaims. Maybe; but there are certainly *numerous issues which are at* least equally important - the threat to the environment, famine and drought in Africa and Asia, the growing world refugee problem, human rights and political freedom - which have beeo neglected by the Commonwealth while Britain and the other members squabbled over South African.

That subject has dominated two full summits in Nassau and Vancouver and one mini-summit in London over the last four years without budging Mrs Thatcher from her position that official sanctions would not he effective in changing the political situation in South Africa and would harm the hlack population . The rights and wrongs of that view have been the subject of endless public debate. But a stalemate over means should not be allowed to obscure the broad agreement on at least short-term ends, and should certainly not be permitted to hring the proceedings of the Commonwealth virtually to a halt for several years. There is eufficient common ground between the two positions - the need to exert political pressure to end apartheid, the release from prison of black nationalist leaders, the opening of negotiations between the Pretoria government and the black community - to enable the Commonwealth to adopt a more constructive joint position.

It would also help the Commonwealth's credibility if it matched its concern about South Africa by paying similar attention to the democratic and human rights shortcomings within some of its own ranks, where single party states and restrictions on the freedom of spech and the media abound. The rule that the internal affairs of member states cannot be discussed, even in the case of flagrant transgressions of the Declaration of Principles adopted by the Commonwealth Summit in Singapore in 1971, clearly weakens any positions the organisation takes on situa*tions in other states.*

The Commonwealth will never be an effective vehicle for common action at the best of times. The diversity of the member states' size, economic strength and regional interests is too great for that. But if it can overcome its obsessions, its very diversity, spanning the industrial and developing world, could still provide a more useful forum than some much larger and more amorphous international bodies for discussing the problems facing the modern world. Even a listed building full of relics can be refurhished and become *habitable again.*

FINANCIAL TIMES
Tuesday October 10 1989

REFORMERS TAKE OVER PARTY PRAESIDIUM

Hungarian Socialists embrace democracy

By John Lloyd and Judy Dempsey in Budapest

THE HUNGARIAN Socialist Party last night completed its formal transformation from a Communist party into a western-style socialist party committed to pluralism.

The new party voted for an old reformer as its president and a party praesidium with a solid reformist majority.

Mr Rezso Nyers, dropped from the Communist leadership in the early 1970s when he failed to convince his fellows of the need for relative economic liberalisation, won an almost unanimous vote from the Congress as party leader. He had played the crucial role in building fragile bridges between the moderate and radical reformers over this weekend, and in securing the transfer of 80 per cent of the Congress delegates to the new party.

Earlier in the day, the Congress had voted for an economic programme which commits the party to a social market policy – a welfare state coexisting with a competitive market economy.

The critical question which remains, however, is how far the compromises reached to achieve a new party – with only a small split of hard liners on the left – will damage the new party's standing when it faces free elections in March.

The proceedings of yesterday's Congress, much of it held in closed session, were again marked by passionate arguments between people on the reform side over how far to dissociate the party from its past.

In the course of the closed session, Mr Nyers and Mr Miklos Nemeth, the prime minister and a radical among the reformers, crossed swords on whether or not some link between the party and the state be preserved. Mr Nyers proposed a party watchdog function on ministers, but Mr Nemeth's opposition to this won the day.

Mr Imre Pozsgay, the leading reformer, and the HSP's candidate for president in elections to be held next month, accepted in the course of the weekend-long haggling and caucussing that it would be in his presidential interests to retain as large a party base as possible. However, he will play no leading part in the HSP – though he is on the Praesidium – and may be expected to project himself as a national figure.

The considerable achievements of this Congress thus include the creation of a new party pledged to pluralism, constitutional rule and a market system; the agreement to this of the bulk of the delegates; and the likelihood that the present government will retain its mandate from an HSP-dominated parliament, thus avoiding a government crisis and instability in the hiatus between now and the election.

Against these must be set the palpable scepticism of Hungarians that the new party is other than the old with a lick of paint – an impression deepened by the compromises the reformists have made for the sake of unity. Further, the HSP, which has yet to disband the armed workers' militia which was associated with the Communists, must give an account of the corruption alleged to be endemic in its property and other holdings and must decide whether or not it will retain its branches in enterprises. A vote to scrap these was defeated late on Sunday night as delegates realised this would leave them with precious little organisation – but the issue is likely to be opened again.

The opposition parties are already preparing campaigns based on the theme that the HSP is still "red." Mr Tamas Miklos Gaspar, a leading member of the Free Democrats, said last night that "there was never a possibility that the Communists could leave their past behind, nor will they be able to tear themselves away from the state."

EC takes step nearer pact on excise taxes

By David Buchan in Luxembourg

FINANCE MINISTERS of the 12 European Community states yesterday agreed on a means of indirect tax collection to allow the abolition of fiscal frontier checks inside the Community from the start of 1993.

Mr Pierre Bérégovoy, the French Finance Minister, who was in the chair for yesterday's meeting, said the agreement represented "a decisive step" towards ending two years of wrangling over collection – although not rates – of value added and excise taxes. The battle over the Community's widely differing indirect tax rates remained unresolved yesterday.

In reaching agreement to maintain the principle that tax should continue to be levied – post-1992 – in countries where goods and services are consumed, ministers brushed aside European Commission objections that the governments were letting themselves, their companies and citizens in for more, not less, bureaucratic red tape.

Brussels argues that the governments are simply replacing a single set of controls (at frontiers) with two sets of controls (in exporting and importing countries) which would have to be elaborately cross-checked to prevent fraud.

The Commission's proposed alternative was to collect VAT on intra-EC trade just as is done currently within a single country, at each stage of production and sale. Ministers' root objection to this was that it required a complex system to reapportion VAT receipts among the Twelve.

"I prefer a good compromise to total disagreement," said Mr Bérégovoy, noting that EC tax changes require approval by all 12 states. He held out a small olive branch to the Commission, saying the governments' preferred scheme would run for "a limited period," after which the Community could, theoretically, adopt the Commission plan. But he would not even guess at the length of such a transition.

Mr Peter Lilley, economic secretary to the UK Treasury, said countries had preferred "not to commit themselves to uproot" a new system designed to take effect by January 1 1993.

Commenting on yesterday's agreement, which would continue the practice of zero-rating exports and reimposing VAT on imports, Mr Lilley said "we can't fall around for ever." But the UK again dug in its toes yesterday over indirect tax rates, refusing a Danish and Irish demand that progress in bringing these rates together must accompany the phasing out of traveller's allowances on tax-paid goods, as proposed by Brussels, by 1993.

The UK was the sole dissenter from a statement linking tax rate harmonisation with phasing out of allowances for travellers across internal EC borders. The promise of special arrangements was held out to Denmark and Ireland which are worried about the loss of trade to neighbouring countries with lower VAT rates.

Ministers, however, appeared near agreement on a package of measures designed to minimise the risk that tax-shy citizens will abuse next year's generalised lifting of EC exchange controls by shifting money around the Community.

The proposed measures, which have yet to be finalised by the Commission, would replace the Commission's ill-fated plan for a standard withholding tax on deposit and bond income held by banks on behalf of non-residents.

Virtually all governments, apart from a non-committal Luxembourg jealously guarding its bank secrecy, yesterday displayed support for a variety of administrative measures to crack down on fraud. Such measures would include extending the scope of a 1977 directive on mutual assistance between fiscal authorities to cover inheritance and gift taxes.

Rover plans luxury car for US markets

By John Griffiths in London

ROVER GROUP, the British motor manufacturer, is developing a high-performance, luxury coupé aimed primarily at North American markets.

The new car, to be launched in 1992, is being designed independently of Honda – the Japanese car company which is soon to take a 20 per cent stake in Rover – is aimed at taking Rover deeper into the prestige car market currently dominated by specialist manufacturers such as BMW of West Germany.

The 9,000 workers at Rover's Cowley complex in Oxfordshire, central England, have been told at an internal briefing that the new car will underwrite further the long-term future of Cowley's North Works. No code name for the car has yet been revealed.

The North Works is the production centre for Rover's 800/Sterling range of executive cars, which are being built at the rate of 60,000 units a year.

Rover has already announced plans to close Cowley South Works – which has been producing 75,000 Montegos and 50,000 Maestros a year – in the early 1990s.

Concern among the work force that Rover Group might be considering ending all car assembly at Cowley, and concentrating production at its Longbridge plant near Birmingham, has already *prompted Rover's management* to give assurances that the successors to the 800/Sterling will also be built at Cowley.

The workforce has also been told that natural wastage and planned production expansion at Cowley will almost certainly mean there will be no compulsory redundancies when the South Works closes. Rover had said earlier that 2,400 jobs would be lost.

The new coupé will allow Rover to make a triple-pronged attack on executive and luxury sectors, in conjunction with R18 and R17m, the code names for the saloon and fastback versions respectively of the cars to succeed the 800/Sterling in the early to mid-1990s.

Their development will be aided by Honda through its links with the Rover Group. However, unlike the jointly-developed Rover 800/Honda Legend models, the design will also be Rover's own.

Rover Group yesterday declined to give any details of the new coupé other than to confirm that concept approval had been given for the car; that it would occupy a separate market niche from any other model in the Rover range; and that Mr Graham Morris, president of Rover's US sales company, Sterling Motor Cars, has given Rover's North American dealers an outline of the project.

The car would be launched initially in North America, *"but there will be opportunities for other markets to be explored,"* said Rover.

Bosch leads the march, Page 11

European accounting standards proposed

By David Waller in London

THE IDEA of establishing a Europe-wide mechanism for setting accounting standards has been suggested by the UK's three main accounting bodies.

The draft proposals have stirred a row between the "Big Eight" accountancy firms and the professional bodies.

The proposals were put together by the Institute of Chartered Accountants in England and Wales and its equivalent bodies in Scotland and Ireland, and circulated on a confidential basis to the senior partners in the big firms last month.

The original document provoked such criticism that it is already being redrafted. In suggesting the UK should take the lead in forming a European standards body, it angered the big firms on both domestic and international fronts.

The firms are worried that the proposals undermine the UK's move towards a new standards regime as recommended by the Dearing committee last year – which envisages the setting up of four new accountancy bodies in the UK – and that they fly in the face of the profession's official stance on the harmonisation of international accounting standards.

The big firms say the proposals' wording contained pejorative references to the Dearing regime, which is described as "controversial," as well as "complex" and "expensive."

Several of the big firms, including Price Waterhouse, Deloitte Haskins & Sells and Touche Ross, have written to the professional bodies expressing their indignation at this description of the Dearing set-up.

The Dearing plan, which envisaged a toughening of the UK standards-setting process, had the full support of the big firms.

From the international perspective, the profession's official line is that it favours harmonisation of standards on a global but not a regional basis.

Some accountants say the proposals on Europe-wide standards have to be seen in the context of the European Commission's conference on the future of European standards scheduled for January next year.

Many accountants feel that the Commission will use the conference as the platform to introduce its own set of Europe-wide standards in the run up to 1992.

The worry for UK accountants is that the standards will be too detailed and legalistic in flavour, rather than flexible in line with UK standards or those promoted by the International Accounting Standards Committee.

The pan-European body envisaged in the document would seek to promulgate international standards, with monitoring and enforcement left to the national bodies.

The ICAEW said yesterday the ideas floated in last month's document did not have the status of policy and that it was still firmly committed to the Dearing plan.

The Trade and Industry Department said it had received a letter from the ICAEW to this effect. It added that it was still looking for a so-called "facilitator" – a businessman whose job it would be to implement the Dearing plan.

Industry speculation suggests the search for such a person has been held up by the lack of agreement on how the Dearing regime will be paid for.

UK proposes merger controls compromise

By Guy de Jonquieres in London and Lucy Kellaway in Brussels

BRITAIN IS to propose a "two-tier" system of European Community merger control in an effort to avert stalemate over the European Commission's long-standing demand for power to vet large deals in advance.

The proposal is intended to bridge differences between EC members over the size of mergers which should be policed by Brussels. It will be tabled at an EC council meeting in Luxembourg today by Mr John Redwood, UK Minister for Corporate Affairs.

Britain, France and West Germany want the Commission to have jurisdiction only over mergers which would create a group with worldwide turnover of more than Ecu5bn ($5.5bn). But Italy, the Nether*lands and several smaller* countries want the threshold set at Ecu2bn.

The proposed British compromise would entitle individual countries to choose which threshold should apply to mergers and takeovers involving companies headquartered on their territory.

Countries opting for the lower threshold would cede to Brussels all jurisdiction over mergers of Ecu2bn-Ecu5bn, while high-threshold countries would retain the right to apply national controls to deals in this category.

Under the British scheme, a deal involving companies from both high and low-threshold countries could be blocked by national authorities in the former, even if it had been approved by Brussels.

However, the EC could also block a proposed merger which had been passed by national authorities in a high-threshold *country. Acquisitions* and mergers involving companies from non-EC countries would remain subject to national controls.

The British Government believes that divisions between the Twelve are so deep that compromise on a two-tier system offers the only hope of achieving the required unanimous agreement on EC merger control policy.

Although the UK has discussed only the outlines of its plan with its EC partners, it is claimed in Whitehall that the Commission and the French presidency of the EC council have both responded to it positively.

Other issues to be considered by today's council include:

● Whether national authorities can bloc a merger already approved by Brussels. The West Germans are pushing hard for a such provision, although the Commission is opposed on the grounds that it would undermine the aim of "one-stop" merger regulation.

● A UK proposal to index the Ecu5bn threshold to Community gross national product, and to make a planned four-year review of EC merger control policy subject to unanimous approval, rather than to qualified majority voting.

● The final wording of the criteria for judging mergers. The UK insists that competition should be the sole grounds for EC rulings, while France wants to include some reference to wider market considerations.

A precise definition of legitimate interests – such as defence, media, banking – under which member states can intervene in mergers affecting their national industries has also yet to be settled.

The French Presidency hopes final agreement can be reached on most areas at today's meeting. But Commission officials believe that because the outstanding issues are closely linked, more meetings may be needed.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	20	68	Dubrovnik	C	17	63	Malta	S	21	70	Rhodes	S	24	75
Algiers		—	—	Edinburgh	C	13	55	Manchester	C	13	55	Rio de J'o			
Amsterdam	C	13	55	Faro	S	25	77	Manila				Rome	R	16	61
Athens	S	25	77	Florence	F	13	55	Melbourne	F	15	59	Salzburg	F	10	50
Bahrain	S	33	91	Frankfurt	R	10	50	Mexico City				San Francisco	S	14	57
Bangkok				Funchal	C	23	73	Miami	S	24	75	Seoul	S	18	64
Barcelona	S	22	72	Geneva	F	13	55	Milan	S	19	66	Singapore		—	—
Beirut		—	—	Gibraltar	S	26	79	Montreal	S	1	34	Stockholm	F	10	50
Belfast	C	13	55	Glasgow	F	13	55	Moscow	F	6	43	Strasbourg	R	10	50
Belgrade	R	12	54	Guernsey	R	15	59	Munich	R	8	46	Sydney	S	22	72
Berlin	C	9	48	Helsinki	F	9	48	Nairobi	F	25	77	Taipei			
Biarritz	S	15	59	H. Kong	C	25	77	Naples	T	19	66	Tangier	S	25	77
Bombay	S	33	91	Innsbruck	C	13	55	Nassau				Tel Aviv	R	29	84
Bordeaux	F	17	63	Inverness	C	11	52	New Delhi	R	33	91	Tenerife	S	28	82
Brussels	C	13	55	Islamabad				New York	S	7	45	Tokyo	S	19	66
Budapest	C	13	55	Istanbul	C	22	72	Nice	S	22	72	Toronto	C	2	36
B. Aires				Jakarta				Nicosia	S	25	77	Tunis	C	21	70
Cairo	S	31	88	Jersey	Dr	15	59	Oporto	S	23	73	Valencia	S	22	72
Cape Town	F	15	61	Jo'burg	F	24	75	Oslo	C	9	48	Venice	S	17	63
Caracas				Lima				Paris	R	13	55	Vienna	S	15	59
Casablanca	S	22	72	Lisbon	S	23	73	Peking	S	18	64	Warsaw	R	9	48
Chicago	S	1	34	London	F	15	59	Prague	F	10	50	Washington	S	7	45
Cologne	R	11	52	Los Angeles	C	17	63	Reykjavik	Dr	5	41	Zurich	F	11	52
Copenhagen				Luxembourg	R	9	48								
Corfu	C	21	70	Madrid	S	20	68								
Dallas				Majorca		21	70								
Dublin	F	16	61	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Sterling falls to below DM3

Continued from Page 1

cials stressed that last week's rise in interest rates had amounted to a significant tightening in monetary conditions. The Government did not have a specific target for the pound although it desired a firm exchange rate even after yesterday's falls, they said.

Officials gave clear indications that they believed monetary conditions were still tighter than a week ago before the base rate rise. This explanation was reminiscent of last year when the Government cut interest rates as the pound strengthened and rationalised the cuts by reference to maintaining a "relative" monetary tightness.

Intervention by the Bank of England yesterday was described as modest and designed to smooth the pound's decline. Analysts said the Bank's actions did not appear to be directed at holding the pound above DM3, despite Britain's $42.9bn of gold and foreign currency reserves available to defend it.

Analysts said that although the pound found some support at its closing level, a renewed bout of selling was likely. They pointed out that a lot of overseas investors had put money in UK capital markets on the belief that the pound would not be allowed to fall below DM3. This was no longer the case

The current weakness in the pound started two weeks ago when the Government said Britain had a £2bn current account deficit in August, taking the cumulative deficit for the year so far to £13.7bn. This high deficit shocked financial markets and was taken as evidence that domestic demand in the UK was still too high

THE LEX COLUMN

Sterling drops its pilot

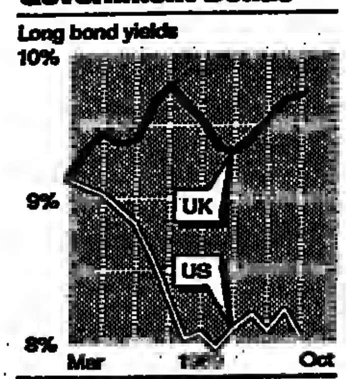
The markets may now be quite unclear on the Government's policy on sterling, but they are in no doubt that it has dramatically changed. What now seems at risk is Mr Lawson's fundamental position that employers paying inflationary wage increases cannot expect to be bailed out through the exchange rate. The other risk, of course, is that the foreign exchanges do not play ball by halting sterling's slide at DM2.90, say, but push on towards DM2.75 and beyond. Mr Lawson's gamble would then presumably result in 16 per cent or even 17 per cent base rates by Christmas.

In a sense, it is not quite clear why the equity market should have taken yesterday's events so badly. The money markets are rock steady at 15 per cent. If equities shared the implicit assumption that base rates have peaked, they should be looking to the benign effect of devaluation on earnings. They might also reflect that monetary policy may now be tight enough to allow for a little relaxation on the exchange rate.

But it will doubtless not work that way, for understandable reasons. Much of the rumour about policy divisions within Government may be mischievous, but there is no escaping the sense of a slipping of control. As yesterday's fall of more than a point in gilts showed, foreign investors are alert for any whiff of inflation and political unease. The electorate may be tiring of tough economic measures; the markets are certainly not ready for the reverse.

Government Bonds

Long bond yields



Jaguar

The drop in Jaguar's share price on news of General Motors' intentions is wholly understandable, but in the longer term could prove misplaced. With so much Jaguar stock held by litigious US arbs, GM cannot afford to give the impression of attempting a lock-out. Nor would it win friends in the UK Government if it allowed Ford to represent itself as the shareholder's friend, willing to bid but thwarted by the golden share.

The GM proposals will therefore be put to Jaguar shareholders, who will doubtless be alert for any penal clauses protecting the new contractual arrangements. GM will also be limited to the same 15 per cent ceiling as Ford. Given that any new issue above 5 per cent is subject to pre-emption under Jaguar's articles, it might be less trouble to buy through the market. And above all, if GM is not in a position to protect its commercial arrangements through poison pills, its only long-term safeguard against guerrilla action from Ford is to own Jaguar outright. An auction still looks on the cards, even if it takes until the start of 1991.

Mortgage rates

In a rather perverse way, the one percentage point rise in the Halifax's mortgage rate is good news for borrowers. It shows that the world's biggest mortgage lender is continuing to subsidise borrowers at the expense of its investors, while the speed with which it has set its new rate means that most other societies will follow its lead. Abbey National, which has its shareholders to think about these days, may have to go for a higher rate. So may the banks, if only to demonstrate once and for all that there is no longer any political pressure on mortgage rates.

Of course, yesterday's move can easily be explained away as just another sign of the fierce battle for market share now being waged in a rapidly shrinking mortgage market. With money market rates at 15 per cent the centralised lenders and the banks are facing serious margin pressures on their mortgage books. A more sinister interpretation of the reluctance to push mortgage rates above 15 per cent is that there is a growing fear that any extra benefit will be more than offset by the damage done to the the value of the security underpinning many of these mortgages.

Eurotunnel

It is to Eurotunnel's credit that it did not fall prey to the temptation of vastly bumping up its revenue forecasts yesterday, despite the depressing news last week about the cost over-runs. There is so much that is incalculable about future transport levels – the response of the ferry operators and the airlines, the prospects for the high-speed rail link, the extent to which, like the M25, the tunnel creates its own demand – that forecasts for the year 2013 are virtually science fiction. What is becoming more certain is that the tunnel will eventually be built somewhere near the forecast date, an achievement which pays tribute to a heavily criticised management.

That said there are still plenty of questions about the profitability of the project. Dividends are unlikely to be paid until 1997 and until one sees the shape of the £1.5bn or so refinancing package, any calculation about the present value of the shares is more than usually guesswork. The price has taken a battering, and could easily fall further in the next year. There is little prospect of recovery until a deal is struck with the contractors and even then, there will be the prospect of a rights issue to depress investors.

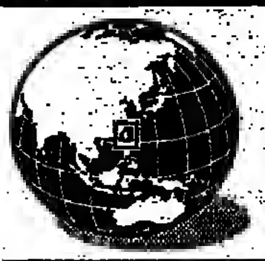
Saatchi & Saatchi

Given the number of fires in which Mr Silvio Berlusconi has irons, it is tempting to play down his appearance as a shareholder in Saatchi. Shortly before he spent around £5m on Saatchi shares, he had put three times that into acquiring 2 per cent of Bouygues, the French construction and television conglomerate; it may just be Anglo-Saxon chauvinism that finds the Saatchi purchase more interesting.–Nor is Mr Berlusconi infallible at spotting undervalued assets. This is the man who paid *L1t37,000* per share in mid-1988 for 70 per cent of the Standa store chain; the shares closed in Milan last night at L1t31,150.

That said, it is easy to see why the market scents blood with yesterday's 10.5p rise in the Saatchi share price to 350.5p, on top of Friday's 40p gain. If it makes less than, say, £225m from the sale of its consulting businesses, and delivers full-year profits much below market expectations of around £70m-£75m, its ability to fight off a bidder will be questionable; if the stock market can work that out, so can the potential predators.

SECTION III

FINANCIAL TIMES SURVEY



Taiwan is confident as it prepares for its first general election since the ending of martial law. The question is whether there is enough respect for democracy and traditional values to absorb the tensions released by new political freedom, writes **John Elliott**

Two faces of economic growth: a skilled and reliable workforce; and traffic congestion in Taipei, where the the air is thick with poisonous exhaust fumes

TAIWAN

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Foreign affairs; Relations with mainland China; Politics	2
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Banking; Stock market; Underground investments	4
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Environment; Labour relations Profile: Dr Fredrick Chien	6

KEY FACTS

Population: 20m
Area: 13,900 sq miles (64% forest)
Population density: 553 persons/sq km
Population growth: 1.2%
Currency: $1 = NT$25.5; £1 = NT$41.30 (Oct 1989)
Foreign reserves: $74.8bn (Oct 1989)
GNP: $119.7bn
GNP growth: 7.3%
Total two-way trade: $110bn
Exports: 55.7% of GNP
Imports: 45.3% of GNP
Leading trading partners: US, Japan
Inflation: 3.5% (Sept 1989)
Official Language: Mandarin Chinese
Major cities: Taipei, capital; Kaohsiung
All data 1988 unless otherwise stated

Challenge of growth

TAIWAN is an enigma. It is not generally recognised as a sovereign state but, as the world's 13th largest trading nation, it is forcing itself into the international arena. Taipei's stock exchange is sometimes the busiest in the world, but its casino-like speculating is based on only 177 stocks and it does not play a significant role in funding the economy.

Against this, critics point to the appreciation in the value of the New Taiwan dollar by about 50 per cent in the past four years against the US dollar and an economy which, they say, is overheated, with worrying signs of growth running out of control.

But such a catastrophe does not seem imminent on this island of only 20m people who have generated foreign exchange reserves of around $75bn and who enjoy an annual per capita income exceeding the official figure of about $7,000.

The government pursues an unreal foreign policy by officially calling Taiwan the Republic of China and by claiming sovereignty over mainland China, which in turn regards Taiwan as a recalcitrant province. There are no official dealings with Peking, yet two-way trade last year totalled at least $2.5bn, and substantial direct investment has been made on the mainland. Tens of thousands of Taiwanese were visiting the mainland every month over last year, but this exchange has been staunched by the events of June 4 in Tiananmen Square.

Now Taiwan is about to hold its first ever democratic general election. But the result cannot oust the ruling Kuomintang (KMT) government because about 190 elder legislators elected in 1947 on the Chinese mainland cling to power, perpetuating their dream that Peking is an illegal regime.

For such a place to be emerging, not only as one of the region's economic tigers, but also as a highly adaptable nation, is one of the Orient's latest great enigmas. The question now is whether there is sufficient flexibility, patience, and respect for democratic authority to sustain the economic growth — or whether Taiwan will fall back into the familiar Asian cycle of growing social unrest, riots, political repression, and even military dictatorship.

Located about 100 miles off the mainland of China, Taiwan's future is complicated by its relationship with Peking. Forty years ago, in May 1949, Generalissimo Chiang Kai-shek founded the modern Taiwan when he fled there from the mainland after his nationalist government had been defeated by the Communists. With him went between 1.5m and 2m followers. They were unwillingly accepted by a population which had been happier with its previous Japanese rulers.

Peking wants the island to accept its sovereignty in the same way that Hong Kong and Macao are returning to its fold in 1997 and 1999. Taiwan has no intention of accepting such arrangements under the present Peking regime, despite its Chinese roots, and this inevitably causes tensions. Nevertheless Taiwan has emerged from the trauma of China's political upheavals in June with far more self-confidence than Hong Kong. Unlike the situation in the British colony, there is no international treaty putting a time limit on its present state of prosperous *de facto* independence.

"Talking about reunification is like going to church on Sunday just to keep the faith. There is a lot of talk but no movement," said one foreign policy expert. "China sees reunification as its goal ... but Taiwan sees democracy as the goal."

Mr Nelson Chang, 38-year-old president of Chia Hsin Corporation, a leading private sector company, is not untypical when he says: "I am Chinese and I want to see one China – but not within my lifetime. Before that the mainland would not be ready in terms of a free economy and political system."

Taiwan's people basically want to keep Peking at arms length so that they can remain free to develop their prosperity. Although 17m of the 20m population have come from, or are descended from, mainland families, two other cultures have played an important role in blending the old Chinese Confucianism into an economically successful ethic for a people that now thinks in US dollars.

One came with the Japanese who ruled from 1895 to 1945. Japanese colonial buildings in the capital of Taipei still proudly house important government institutions, including the Presidential Palace. The other culture is from the US which has actively supported Taiwan for the past 40 years and whose universities have educated and spawned the latest generation of top leaders.

For most of the past 40 years Taiwan has been ruled by an ageing KMT leadership under a martial law regime. Free enterprise was however encouraged to such an extent that economic growth has averaged 8.85 per cent a year since the early 1950s.

But the spectacular economic breakthrough has only come in the past two or three years when the proceeds of years of successful export growth generated massive cash reserves. Little money flowed out of Taiwan, initially because of the government's protectionist policies, and more recently because of the strength of the Taiwan dollar.

The surplus cash formed the basis for rampant speculation on the stock exchange and property market, fuelled by underground finance companies which flourished because of out-dated government financial controls. The cost of living has soared and Taipei property prices have doubled within a year or two, putting new homes out of the reach of young married couples. Little money has gone into industrial development.

Rapid political and social changes began three years ago when the late president, Mr Chiang Ching-kuo, son of Chiang Kai-shek, began a liberalisation process. They have been continued by Mr Lee Teng-hui, who succeeded him when he died early last year, and by a new prime minister, Mr Lee Huan, who was appointed in May.

Martial law was lifted two years ago, permitting new political freedom and releasing forces which led to street protests, a rash of labour unrest, and a new militant concern about the environment.

Compounding the social changes, there has been a rapidly rising crime rate. There has also been a decline in the population's traditional work ethic as people have found it financially more rewarding to speculate on the stock and property markets.

"The most worrisome thing is that we have had this political democratisation, economic liberalisation and the social opening up, all coming to a confluence in a very brief period of two years," says Mr Fredrick Chien, Taiwan's top economic planner. "Therefore people are really enjoying this new found freedom and everybody would like to practice it to the maximum. That is what worries me. But I hope this will be temporary."

"There is a risk that one day soon, people will wake up and realise that they have worked hard for years and achieved nothing in real terms," says a foreign banker.

Compounding the problem is a lack of firm direction by the government whose ministers and top civil servants have not yet adjusted to the new open political system where opposition parties and other interest groups wield influence. This has been specially evident in the handling of underground finance companies and the stock market, where policies have been announced, then watered down. The government has also been less than firm on labour, the environment and other problem areas.

Some people view this as a sign that the government has lost control. Some even speculate about a reassertion of martial law by the still powerful and conservative military establishment, headed by 69-year-old General Hau Pei-tsun, the veteran chief of general staff. Such a move could find sympathisers among the elders of the KMT, who are coming under increasing pressure to retire.

A more plausible scenario suggests that the government is having problems administering an open system with old-style restrictive laws and that it has no option but to run the country on a loose rein till the general election on December 2. Then, it is hoped, ministers will take a more consistently robust line.

In many ways 1990 is likely to be the year when Taiwan shows which way it is to begin to move out of its present period of flux.

First there will be the degree of confidence shown by the government, which is certain to be re-elected, in the face of a more self-confident and assertive political opposition. There will be reforms to be implemented in the financial, labour and other sectors.

Then there will be the annual test of labour militancy around the time of Chinese New Year in February. The extent of social consequences of what one prominent businessman calls the "agony of growth" will also become clearer as people adjust to the advantages and the tensions of sudden but uneven increases in the distribution of wealth.

"Taiwan is at a transitional stage and some scars are inevitable as the price of our sudden freedoms and wealth," said a leading industrialist. "What is not clear at present is the size or seriousness of those scars."

John Elliott on how Peking's historic claims cloud any sense of independence enjoyed by the island

Overshadowed by the China syndrome

TAIWAN looks and feels like an independent country. It has a parliament, a president and prime minister, and its own currency, army and police. It also displays the self-confidence of a thriving self-sufficient nation.

Yet it is not independent, nor does it want to be, not in the immediate future – *nor* does it admit allegiance to any other country. But it enjoys an assumed but undeclared independence, and it has recently begun actively to use its growing international economic importance to improve its diplomatic recognition which at present is extremely limited.

The situation is complex because of the relationship with mainland China. The Nationalist government, which has ruled Taiwan for the past 40 years, has never recognised Peking's Communist regime.

It still formally insists it is the lawful government of the entire Republic of China and that it wants to reunite with the mainland under democratic rule.

But it knows most of the population are happy with the present *de facto* independence and it has accepted in recent years that reunification should be a long term target to be achieved by persuasion rather than military action.

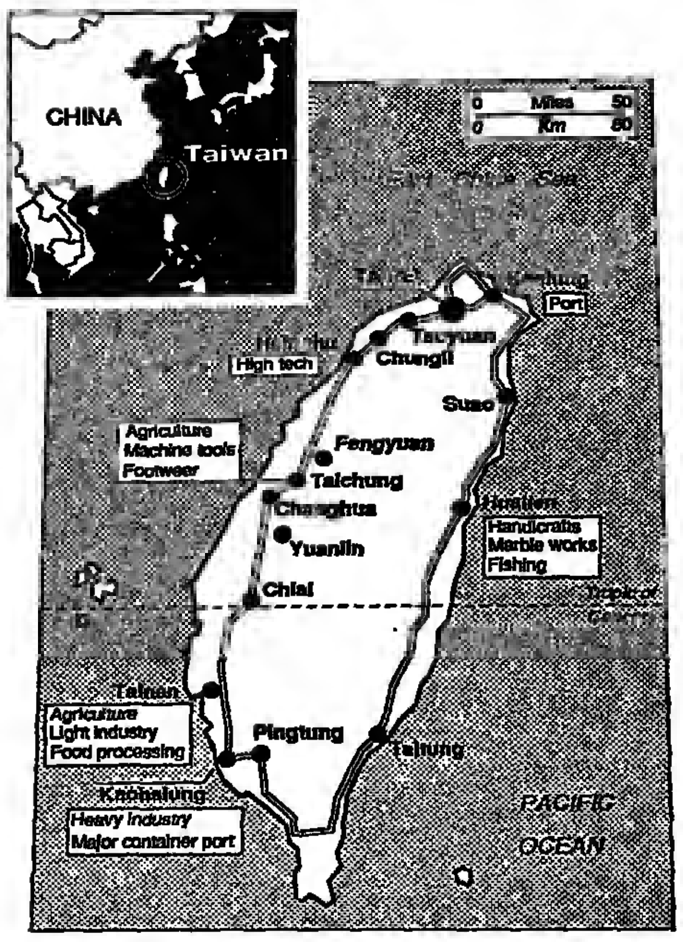
At the same time, Peking claims sovereignty over Taiwan which it regards as a recalcitrant province. It has said it would invade if Taipei declared independence and wants Taiwan to follow Hong Kong and Macao back into formal acceptance of its sovereignty under an arrangement known as "one country two systems."

The price of this stand-off between Peking and Taiwan is that the island does not have normal international diplomatic relations because most countries have chosen to recognise Peking rather than Taipei.

The gap in the image of a sovereign island that is immediately evident to a visitor is the absence of a large diplomatic community in the capital of Taipei.

There are no embassies of any size apart from a collection of grey self-conscious looking buildings which house the old US embassy, renamed the American Institute in Taiwan when the US recognised Peking and dropped Taiwan in 1978.

Only 24 countries, mostly small nations in the Caribbean and Central and South America, formally recognise Taiwan, and Peking does not allow dual recognition. Three months ago Peking cancelled its recognition of Grenada 19 days after the island announced that it was establishing formal diplomatic relations with Taiwan. The biggest countries giving recognition, which therefore do not recognise Peking, are South Africa and South Korea.



Peking regards Taipei as a recalcitrant province. It wants Taiwan to follow Hong Kong back into formal acceptance of its rule under a system known as 'one country two systems'

With the rest of the world, Taiwan has to get on as best it can. It has what it calls "substantive relations" with 123 countries including the US, Japan, Australia and the UK. The ruling Kuomintang Party also builds extensive contacts with foreign political groups, like Britain's Conservative Party, as a cover for government to government relations which cannot be conducted openly.

"We have been stressing that we want to improve our relations with most countries, and we do not mind how they conduct their relations with Peking, although unfortunately Peking tries to merge the two issues together," says Mr Chieu Jen Chen, a vice minister for foreign affairs, explaining how the Government has softened its stance in an attempt to achieve wider recognition through a policy of "diplomacy with flexibility or pragmatism."

He says that the Government's three-pronged policy is to maintain and develop relations with countries giving Taiwan full recognition, improve ties within the "substantive relationships" and upgrade Taiwan's role in international organisations.

The major countries with "substantive relations" have an increasing number of discreet trade and cultural offices in Taipei, which process visas and form the capital's underground diplomatic community. They all avoid anything resembling normal open diplomacy. The head of a new UK visa office, which opened in June, formally retired from the British foreign service to take the job. Like other countries' officials, he clears visa approvals with London each day, then "processes" them with a London stamp, instead of issuing them himself.

Illustrating the flexible diplomacy, he operates under the banner of a long-standing Anglo-Taiwan Trade Committee office. He shares premises with a new Anglo-Taiwan Education Centre, funded by British universities and local UK companies, which helps students find college places.

Taiwan is a member of only 10 inter-governmental organisations including the Asian Development Bank. Mr Chen says that the number is small "mainly because of Peking's blocking." Taiwan hopes soon to apply for membership of the GATT, although Peking has made it clear that it wants to be admitted first.

Peking also tries to force Taiwan to adopt names that make the island sound like a province of the mainland. In sports contests it is known as Chinese Taipei, which it accepts, but it was not happy with Taipei, China, which it had to use in the Asian Development Bank. It would prefer a more independent identity in inter-governmental organisations.

At the centre of all this activity is Taiwan's emergence as an important international economic force with foreign reserves of around $74bn and an ambitious, energetic industrial elite anxious to expand abroad.

To back this up, Taiwan has launched a $1bn Overseas Economic Co-operation and Development Fund which may be expanded to between $3bn and $5bn in the next five years. So far $100m has been committed to nine projects including $5m for Costa Rica to build an export processing zone.

The Solomon Islands, which has recently stationed an ambassador in Taipei, is also expected to receive enhanced aid. Guatemala, the Dominican Republic, Malawi, Panama and Paraguay are also in the queue.

All these countries formally recognise Taiwan and are receiving preferential treatment. No government spokesman will fully admit this, although Mr Chen admits that Grenada would find its recognition of Taiwan "mutually beneficial." Clearly the Government intends to use its growing economic importance to boost its international standing.

The three cardinal rules

TAIWAN has a rigid policy of "three nos" for its dealings with mainland China. In order to "safeguard its national interests and security," the Government "refuses to negotiate, compromise or make contact with the Chinese Communist regime," says a government spokesman. "The three nos are designed to keep freedom in and *communism* out of Taiwan."

But around the edges of that policy, the Government has been introducing increasing flexibility for access by Taiwanese people to the mainland, although it is less relaxed about letting mainland people into its territory.

Until the Tiananmen Square crisis in June, this was leading to improved, though indirect, relations between Taipei and Peking. Ms Shirley Kuo, Finance Minister, was the first member of the government to go to the mainland when she attended an Asian Development Bank conference in Peking in May.

In order not to upset this trend, Taiwan's criticisms of the June events were relatively restrained, though Peking has condemned Taiwan for aiding the students' democracy movement.

Since the end of 1987, Taiwan has allowed family reunions with people on the mainland. The total number of people who have gone from Taiwan exceeds 370,000, including as many as 44,000 in one month earlier this year.

Indirect trade is allowed. It is usually channelled through Hong Kong whose customs officials put last year's two-way trade at $2.7bn. In the first five months of this year the total was $1.7bn, although there has been a decline since June. Indirect investment in the mainland is also allowed and is thought to total $200m. Mainland authorities put the total at $500m, which could include all letters of intent.

Indirectly routed postal and telecommunications arrangements were simplified in June to help people send facts about the suppression of the students movement to contacts on the mainland.

Legislation called the Two Regions Statute is now in its final stages of drafting in Taipei. This will regularise indirect trade and investment and it will also recognise official mainland documents relating to personal affairs such as birth certificates. Members of Peking's Communist Party visiting Taiwan will also be exempted from prosecution as members of a rebellious organisation.

Such legislative changes are needed to underpin the status quo and to facilitate indirect contacts. But there is no softening overall. "Our policy is reunification of China under freedom, democracy and equitable distribution of wealth," says Mr Ying-jeou Ma, executive secretary of a government committee handling mainland policy.

He says the "one country two systems" idea being introduced for Hong Kong and Macao is "very different." It would put Taiwan "into the position of a local government" as a special administrative zone. "We cannot accept being downgraded to a local government, subject to the whimsical decisions of Peking," says Mr Ma.

JE

POLITICS

Poll test for the ruling KMT

MR LIN Zheng Jie stood with his supporters by the door of a large assembly hall in central Taipei, shaking hands as people filed past him into a rather low-key political rally. Pop singers sang, activists delivered speeches, and actors performed skits – all against the ruling Kuomintang (KMT) political party and in support of the Democratic Progressive Party which forms the country's main opposition.

This is the new-style of open Taiwan politics as the country limbers up for the first significant general election in its 40-year history. "These rallies were more emotional and vibrant before martial law was lifted in 1987 when they were underground and illegal," commented Mr Antonio Chiang, a leading opposition figure and a magazine editor. But the fact that the DPP had managed to obtain a large government-run school hall for its rally showed that it had developed some political muscle in its two years of lawful existance.

The elections take place across the country on December 2 for more than 100 seats in the Legislative Yuan, or parliament, and for the posts of mayor in more than 20 provincial cities. These elections are important for several reasons. They are the first to be held both since martial law was lifted and since the current Taiwan-born president, Mr Lee Teng-hui, succeeded the late Mr Chiang Ching-Kuo.

They will not change the government – the KMT is assured of victory. But they will provide the opposition with its first chance since it was legalised to demonstrate its public support at the polls. The DPP says it hopes to win 30-35 per cent of the popular vote, compared with the last election in 1986 when its candidates stood illegally and won 22 per cent. The DPP also hopes to win between five and 10 contests for the posts of mayor, which are important in the running of the country.

President Lee Teng-hui and Prime Minister Lee Huan

The impact that the DPP can have in the Legislative Yuan is muted because of the continued existance of about 190 elders who were elected in mainland China in 1947 and hold their seats till they retire or die. Together with elected KMT members, they guarantee the ruling party continues in power.

Under political reforms started with the lifting of martial law, these elders should now all be retiring. Legislation to enable this to happen was passed earlier this year. But many of them are loth to go before the new elections and others, who dominate a separate National Assembly, are clinging on till next March when the assembly will carry out its function as an electoral college for choosing the president. (It is assumed that the reformist Mr Lee Teng-hui will be re-elected.)

In all there are 29 political parties. But the KMT and DPP dominate the political scene and there are only four others are of any significance. Two, called Labour and Workers, are trying to garner support among the fledgling trade union movement but have only a limited appeal because of a lack of significant class divisions. The other two are small and have existed since before 1949 – the China Youth and China Democratic Socialist.

The KMT and DPP both held primaries in July for their local candidates which caused internal bickering and stirred up political awareness. The main difference between them is that the KMT clings to its formal policy of being the ruling party for the whole of China and wants to maintain the present tightrope relationship with Peking.

The DPP, which has been an uneasy coalition since it was founded in 1986 out of long-standing opposition groupings, is split. A moderate Formosa Faction wants gradual moves towards independence, but is basically interested in speeding up political reforms. A younger and more militant New Tide believes that independence is the primary issue and that it should be declared unilaterally, challenging Peking to carry out its threat to invade.

In the election, independence is not expected to be a dominant subject. It will however be notably debated, despite the fact that its advocacy is illegal. More immediate issues are expected to be social and economic problems such as law and order and a worsening crime rate, pollution and the environment, the price and scarcity of housing, and traffic congestion.

JE

Alison Maitland on the costs of an extraordinary economic record

Unpalatable price of success

A WHITE "Royal Limousine" Cadillac with gold trimmings does a U-turn in Taipei's fashionable Tunhua North Road and pulls into the kerb, depositing a slightly plump young man from one of its six doors. Hardly anyone gives a second glance. A few yards further down, the Asiaworld Plaza Hotel is offering one night's stay in its Genghis Khan Presidential Suite for a mere $5,500.

Tales of outstanding wealth are legion in Taiwan after 27 years of economic growth averaging 9 per cent a year. One of the country's richest men is reputed to keep piles of US dollars and pound notes in the transparent base of a lavatory – whether for security or show is not entirely clear.

Per capita income has more than doubled in the past four years to about $7,000. But the country's riches, the product of a tireless export drive, have created serious imbalances in the economy.

Investors with idle savings have been unwilling to put them into the antiquated state banks, which have traditionally offered paltry interest rates, so investment has found its way into a vast underground financial system which has sent the stock and real estate markets out of control.

Many ordinary people can no longer afford to buy a home unless they play the markets successfully. A state bank employee on a salary of T$70,000 a month would not earn enough in a lifetime to buy one of the new two-bedroom apartments selling for NT$40m in eastern Taipei.

Capital is also beginning to flow out of Taiwan at a rate that is raising official eyebrows. The country registered its first balance of payments deficit for nine years in the second quarter, when net capital ootflow reached about $2.5bn.

Part of this is going into short-term private investment abroad. Some is also moving into manufacturing plants in south-east Asia as Taiwan's industry adjusts to labour costs that are rising at 20 per cent a year and to a 55 per cent appreciation in the Taiwan dollar over the past four years.

Efforts to reduce the dependence on external trade, which showed a surplus of $9.4bn in the first eight months of this year, have helped to slow economic growth. Officials expect gross national product to grow at 7 per cent this year after 7.3 per cent in 1988.

The Governmeot wants growth to remain high, averaging 6.5 per cent a year to 2000, when per capita income is projected to reach $13,400. But loss of export competitiveness, a lack of productive investment and growing signs of social dislocation have all emphasised the need to stimulate domestic demand.

"We would like to increase public investment, and we are currently pushing hard for the accomplishment of 14 major construction projects," says Dr Fredrick Chien, chairman of the Council for Economic Planning and Development.

This six-year programme, started in 1984, includes an underground railway for Taipei, better highways and new reservoirs, hospitals and power stations.

The Government plans to spend T$2 trillion (million million) oo improved transport facilities alone by 2000. "We hope this concentration of public investment would bring abont an increase in private investment," says Dr Chien.

At the same time, there are plans to stimulate consumption by providing comprehensive health insurance for the whole population by 1995 and by increasing recreational facilities. A new town is planned on the outskirts of Taipei to relieve congestioo and pollution in the capital.

However, projects are running into delays. The 14 infrastructure projects as a whole are about 20 per cent short of labour. Land is difficult to acquire, since escalating prices have encouraged landowners to hold out for higher bids, and an unsatisfactory bidding system is causing trouble.

The Government also needs to fund all this public spending. So it plans to privatise 19 state companies and banks. First, however, the Legislative Yuan (parliament) must pass a special statute – because privatisatioo runs counter to many of Taiwan's existing laws – and that could take time.

Financial reforms are emerging, although the pace of change is not always swift. A credit squeeze earlier this year brought money supply growth down to 6.8 per cent at the end of July from 32 per cent a year earlier.

The Taiwan dollar has been relatively stable recently, since an 8 per cent surge against the US currency in April at the time of trade talks between Taipei and Washington. This stability is cited as another reason for the large outflow of capital, as hot money previously attracted by an appreciating currency retreats.

Foreign reserves are the world's largest after Japan, measuring $74.8bn in early October – enough to cover 13 to 14 months' imports. They are expected to hit $76bn by the end of the year, compared with $73.9bn at the close of 1988 and a record $76.7bn in December 1987.

The Government is preoccupied with inflation, and has managed to bring the consumer price index down to about 3.5 per cent from a high this year of 5 per cent. But this gives no impression of wider inflation, including wages and housing costs, which unofficial estimates put at between 8 per cent and 20 per cent.

Over the longer term, Taiwan is having mixed success with its economic restructuring. Exports hava grown unexpectedly fast this year, but the goal is still to reduce the surplus to 4 per cent of GNP by 1992 from 10 per cent last year.

The savings rate is falling, from 38.5 per cent of GNP in 1987 to an estimated 31 per cent this year. But the growth rate of capital investment is also slowing as people spend more on private consumption.

Taiwan's economy is at a crossroads, grappling with structural problems that are a direct result of its past achievements. Its future strength will depend on channelling the new-found wealth into investment that will improve the quality of life and make best use of its skilled and technologically able workforce.

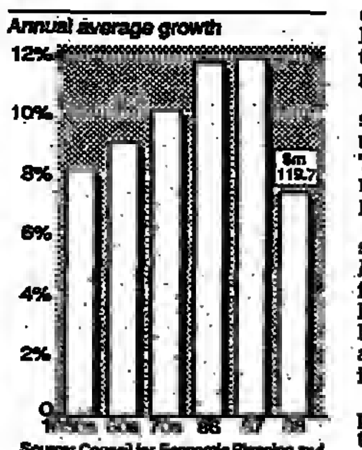
CONTRIBUTION TO GNP BY SECTOR (Percentage)

	1985	2000
AGRICULTURE	6.0	3.0
INDUSTRY	49.7	46.5
Mining	0.6	0.3
Manufacturing	40.8	38.9
Construction	4.2	3.6
Public utilities	4.1	3.7
SERVICES	44.3	50.5
Transportation/communications	6.1	11.0
Wholesale and retail trade	13.9	15.4
Banking, insurance etc	3.6	4.5
Public and housing services	16.2	13.5
Other services	4.5	6.1

Source: Council for Economic Planning and Development

GNP

Annual average growth



Source: Council for Economic Planning and Development

Tales of outstanding wealth are legion in Taiwan after 27 years of economic growth averaging 9 per cent a year. Yet many ordinary people are still unable to afford a modest home unless they play the markets successfully

TRADE

Under Washington's eye

IN TYPICALLY flexible fashion, Taiwan is managing to keep its exports buoyant while responding both to rising domestic costs and pressure from abroad to liberalise imports. The secret of the world's 13th biggest trading nation has been to find new markets and to shift exports away from cheap cuddly toys and shoes to sophisticated computer goods.

Change has been forced on Taiwan by US pressure to reduce its huge trade surplus. The Taiwan dollar has surged by about 55 per cent against the US currency since 1985 at a high cost to local exporters. Low cost manufacturing is moving to cheaper sites in Thailand, Malaysia and the Philippines, while Taiwan itself switches to high value added production.

In the first eight months of this year, electrical and electronic goods accounted for 32.4 per cent of exports, while toys and sports goods represented just 4.5 per cent. At the same time, Taiwan has lowered its import barriers. The average effective tariff rate has dropped from 7.5 per cent two years ago to about 5 per cent now and is due to reach 3.5 per cent in 1992 – bringing it into line with the world's industrial nations.

A better balance between import and export growth is not materialising overnight, however. Labour unrest in South Korea and turmoil in mainland China have unexpectedly boosted exports this year, as US and Japanese orders have switched to Taiwan. Some orders have gone to Taiwan's lower cost production facilities in south-east Asia, but that has only helped exports of intermediate products from Taiwan to its neighbours.

The result has been a 10.7 per cent rise in Taiwan's exports in the first eight months, against an increase in imports of only 4.8 per cent.

Yet there has been an improvement in the problem of the surplus, most of which is with the US. On the face of it, Taiwan's surplus with the US rose 26.5 per cent in the first eight months. But last year a reduction in the surplus from $16bn to $10bn was helped by nearly $3bn worth of gold imports. This year, as a result of protests from the US, little gold has been imported. So the surplus with the US excluding gold actually fell by 12 per cent.

The US's share of total Taiwanese trade fell to 30.4 per cent from 34 per cent in the same period last year. But Japan, whose large surplus at Taiwan's expense continues to cause concern, saw its share of trade creep up to 21.5 per cent from 20.9 per cent.

Trade with Europe has climbed sharply in recent years, from 12.5 per cent in 1986 to more than 16 per cent now, and officials want it to reach 20 per cent by the end of 1992. The date is significant, since the European Single Market is viewed by local business people with a mixture of trepidation and enthusiasm.

Taiwan is the world's sixth biggest exporter to the European Community, and most European countries now have visa processing offices in Taipei where once their recognition of mainland China held them back.

Ironically, Taiwan's trade with the mainland, which is permitted if carried ont through a third country, has also flourished this year. Mr Augustine Wu, deputy director general of the Board of Foreign Trade, said two-way trade had risen sharply in the first six months and then slowed after the events in Tiananmen Square in June. But he thinks that "soon it will be normalised," and expects trade to rise to $3.5bn this year from $2.5bn in 1988.

Taiwan's efforts to reduce its surplus have lessened trade tensions. Currency appreciation, foreign exchange liberalisation and an action plan to cut the global surplus to 4 per cent of gross national product by 1992 all helped to avoid a citing as an unfair trading partner on America's Super 301 blacklist in May.

Problems remain. Taiwan is still on a US watch-list concerned with intellectual property rights, and Washington is also concerned that Taiwanese driftnet fishing is catching salmon that originate in US waters.

There are sporadic flare-ups over agricultural protectionism, too. Mr Wu says that Taiwan would be in a stronger position to end such protectionism if it were allowed to join the General Agreement on Tariffs and Trade. Taiwan's entry is being delayed by Peking's demand that it join first. "If we can gain full membership, we can gain more responsibility in trade," says Mr Wu.

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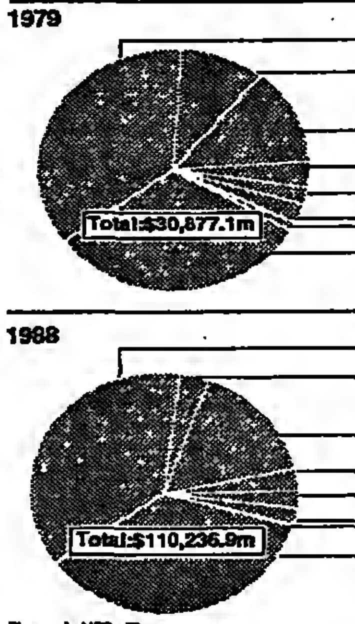
Taiwan trade 1988

Exports		Imports	
Electronic products	13,018.2	Electronic products	6,844.4
Textile products	8,572.1	Machinery	4,975.7
Shoes	3,888.5	Chemicals	4,905.9
Electrical M/C & apparatus	3,607.7	Steel	3,301.7
Metals	3,488.7	Transportation equipment	2,821.1
Toys & sports goods	3,332.6	Crude petroleum	2,212.4
Machinery	3,188.0	Metals	1,976.3
Plastic products	2,959.9	Electrical M/C & apparatus	1,842.6
Transportation equipment	2,519.6	Food, beverages & tobacco	1,825.4
Wooden products	2,113.0	Paper,pump	950.8
Basic metals	928.3	Refined petroleum products	839.9
Optical instruments	734.1	Medical equipment	774.3
Ceramic products	677.0	Raw cotton	479.9

Figures in US$million — Source: Board of Foreign Trade

Trade distribution



	1979	1988
Asia	11,166.7	40,823.8
(Japan	6,810.0)	23,591.7)
Middle East	3,158.3	4,035.5
Europe	4,008.6	17,869.6
Oceania	983.5	3,165.9
Africa	804.8	2,625.6
S. & Central America	815.3	2,332.5
Others	360.7	420.2
N. America	9,579.2	38,963.8
(United States	9,033.0)	36,429.0)

Figures in US$million — Source: Board of Foreign Trade

Alison Maitland on a banking system only just beginning to revive after decades of bureaucratic rule

Much to do after years trapped in a time warp

BEING employed by ona of Taiwan's state-owned banks involves the dubious pleasure of sleeping overnight in the office every few days. The safes may hava time-locks but the rules insist thet staff, rather than police or security guards, ensure the banks' safety.

Sleepy staff are symbolic of a banking system that is only just beginning to revive after decades of stifling bureaucratic rule. While economic growth has leapt ahead, the country's financial sector has been caught in a time warp.

The reason is the ruling Kuomintang Party's long-standing dread of inflation. The nationalists believe that rampant price rises and economic chaos on mainland China paved the way for their defeat at tha hands of the Communists in 1949.

So almost every bank is under the thumb of one state organisation or another, and deposit rates have typically been kept low. Taiwan's excess liquidity has instead flooded into far more lucrative unofficial outlets and fed a huge black economy in money.

One foreign banker estimates that between 40 per cent and 50 per cent of Taiwan's total money supply is swirling around in this unregulated market.

Apart from the scandal over underground investment houses, there is an unofficial market in Chicago hog belly and orange juice futures. Illegal money lenders make short-term loans for property and stock market speculation and "stock friend societies" spring up in villages around the country to ramp a share price for a few days before disbanding.

The US-trained younger generation of government ministers and officials is keenly aware that things have to change if Taiwan's resources are not to be squandered.

"The Government and people here realise they need to have an indigenous financial base," says one foreign analyst. "What is going to be Taiwan's most significant export over the next 20 years? The answer is capital."

Bank of Taiwan: the state controls most banks. A new breed of US-educated ministers is aware that things must now change

Reforms have begun in the past couple of years. Foreign exchange controls have been eased in stages and Taiwanese individuals and companies may now take out up to $5m each year and bring in up to $500,000.

The central bank's domination of the exchange rate system ended in April. Now a group of nine banks, including some foreign ones, determines the daily range for transactions up to $30,000, while rates for larger trades are negotiated between banks and their customers.

Foreigners have been allowed to play a bigger role in the securities market, too. Last year, the Government permitted them to take stakes of up to 40 per cent (10 per cent per foreign company) in local securities houses, which were allowed to combine underwriting, broking and trading under one roof.

American, British and Hong Kong houses have taken stakes in local firms and have begun to tap Taiwanese savings by selling overseas mutual funds.

Three foreign securities houses are also to be allowed to open branches, though the requirements of $20bn in assets, $2bn in paid-in capital and membership of the New York, Tokyo and London exchanges mean that only big US firms like Merrill Lynch have shown interest so far.

The big four Japanese brokers are prohibited by Tokyo's recognition of Peking from applying, although there have been oral commitments to allow smaller Japanese firms to establish links.

Under revisions to the Banking Law passed in July, the official floor and ceiling on interest rates were removed and this has helped banks to offer more competitive rates.

But one of the biggest reforms introduced in July – the opening of the domestic market to new private banks – is facing delays.

This is partly because of the extraordinary response to last year's lifting of restrictions on new brokerages. Abont 150 firms applied successfully to set up in business, giving Taiwan a total of nearly 180 brokers and swelling trade on the volatile stock market. It is feared that a host of new private banks could make Taiwan's speculative financial markets even harder to control.

Already more than 20 groups have expressed an interest in setting up a bank, even though the capital requirement may be as high as NT$10bn.

The other reason for delay is that the three leading state commercial banks – Chang Hwa, Hua Nan and First Commercial – want their planned partial privatisation to be completed before they face competition from the new banks.

With state-controlled salaries at their current low levels, the banks fear all their best staff will be snapped up. It is a measure of how underdeveloped they are that until this year only three Taiwanese banks ware allowed overseas branches.

The banks' privatisation is itself being held up, partly by political considerations in the run-up to the December elections, and partly because there is still no law to govern the loss of state control. So it is unlikely to be before next year at the earliest that internal competition begins to shake Taiwan's banking system into the modern world.

Underground investments

The alternative money-markets

THE Homey department store in Nanking East Road is anything but retiring. Inside the nine-floor store, whose name is emblazoned on the pink exterior, smartly uniformed guides stand by the escalators to direct the shopper to the nearest Gucci counter or Pierre Balmain boutique.

This is the public face of the biggest of Taiwan's underground investment houses, which have absorbed an estimated NT$300bn ($11.8bn) in the past three to five years and helped drive the local stock and property markets into a speculative frenzy.

By offering interest rates of between 4 per cent and 10 per

The Government has announced a crackdown on the underground houses

cent a month, the unlicensed companies had little difficulty pulling in funds from the country's growing pool of savings when state banks were paying as little as 6 per cent a year.

Homey was once known to residents of Taipei as a bakery chain. Now, according to the Finance Ministry, it has investments in restaurants and hotels, one in the Middle East, as well as two department stores and its stock market holdings. Its Chinese name is Hung Yuan, meaning "the source of prosperity."

In July, the Government announced a crackdown on Homey and the other 180 or so underground houses under the provisions of the revised Banking Bill. It outlawed all new deposits and introduced stiffer penalties, including a maximum seven-year jail sentence. For a few days there was pandemonium as investors besieged the companies demanding their savings back. When the houses could no longer cope, they imposed a three-month freeze on withdrawals.

The stock market fell heavily for a couple of days amid fears that a forced closure of the investment houses would trigger a collapse in share prices. The underground companies operated a pyramid system, paying out interest with cash coming in from new investors. It looked as if a pack of cards was about to fall. Then all went quiet. The Government had stepped back from open confrontation.

The implications of taking too heavy a hand with the half dozen big houses, including Homey, Lung Hsing (or Fortune Group) and Cheng Wei, which had just bought the Macao Jockey Club, were enormous.

"There has been a political compromise over the big ones," said a senior banker. "If we don't do it this way it would have a very unfortunate impact on the financial system. The stock market might be affected. The main problem is protests from investors, many of whom are military veterans or retired government servants."

Some of these ex-employees invested their entire retirement pay in the underground system. In addition, many investment companies are believed to have close links with ruling Kuomintang Party members. The chairman of Homey sits in the Legislative Yuan (parliament). If these companies were forced to sell their shares, the stock market could plummet and wipe out their assets, and the Government would be blamed.

"We should have taken action in the early stages," said the banker. "It's unfortunate that we postponed this problem until now. The companies are taking advantage of the election (in December). They think the Government will not take too drastic measures at this time."

The Government has taken action, bnt only against smaller houses. There were once thought to be 350 houses, but many collapsed or their founders absconded. At least 20 cases involving small companies have come to court in the past couple of months, according to Mr See-Ming Chen, director of monetary affairs at the Ministry of Finance.

"The big ones can solve their own problems. Either they pay the money back, or they ask investors to join the group and become shareholders," he said.

The houses are supposed to publish their assets and liabilities this month when the three-month freeze on withdrawals ends. Homey, which has already announced plans to turn all its depositors into shareholders, has said its NT$65bn of deposits are more than covered by NT$80bn in assets.

Even if the other big houses'

The main problem has been protests from investors, many of whom are military veterans

figures do not balance, the Government hopes they will work out a compromise with depositors which would enable them to become regular companies, and thus controllable. It has been suggested that Cheng Wei will repay deposits with shares in the Macao Jockey Club and the Fortune Group is apparently planning to build houses which it will offer in part exchange for the money it owes.

The financial scandal could yet blow up again. Its social cost is already great. There are stories of life savings lost, of old soldiers writing anguished letters to the Ministry of Finance, and of "dealers" – who were often housewives – becoming mentally distraught as friends begged for their money back after the doors of the underground houses had firmly closed.

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STOCK MARKET

Big pay-offs for rookie investors

JOHN Li, 53, gave up his job at the airport 18 months ago to become a full-time investor in the Taipei stock market. Using a pool of nearly $200,000 in savings, he has made a 50 per cent profit so far this year.

"I spend three hours in the market in the morning, and then I do three hours' homework," says Mr Li, who prefers not to reveal his real name. He plays the market in both directions. The previous day he had sold two thirds of his stock when the price was high.

"Autumn is the falling period," he explains.

Mr Li is one of thousands of investors who have abandoned secure, well-paid jobs to take a gamble on a market that by western standards has gone crazy.

The weighted index has climbed from 1,000 to 10,000 in less than three years and the stock exchange puts the average price earnings ratio at a Japanese-style 52, with some food and financial stocks above 100. Estimates from foreign brokers are much higher, putting the prospective market p/e at between 60 and 120.

Capitalisation reached $233bn at the end of August, placing Taiwan second only to Japan in the Asian region. There are just 177 listed companies, and only about 35 per cent of their share capital is freely tradeable, with the rest controlled by families, the Government or big institutions.

Yet turnover value on some days this year has exceeded all other world markets. On August 28, brokers watched in amazement as more than $40m worth of shares was traded every minute for the three hours the market was open. Total turnover that day was a record $7.6bn.

Foreigners have shied away from Taiwan, having watched the market collapse by 40 per cent last autumn – when Ms Shirley Kuo, the Finance Minister, announced a capital gains tax – and then virtually double in the first five months of this year. Reflecting this overseas distrust, the four mutual funds through which foreigners may invest have been trading at a discount to net asset value.

Not that the Government is enthusiastic about opening the market to direct foreign investment at this stage. It has its hands full trying to control its own investors and to steer an over-abundance of cash into more productive channels.

The task is becoming harder as more and more small investors cram the floors of Taiwan's 180 brokerage houses. "It used to be about 85 per cent middle-aged housewives, but as the market's gone higher and higher, more husbands are showing up because their wives are earning more than they were," says one broker.

Fundamentals play little part, with the emphasis on chart movements and tips passed by word of mouth. Manipulation by so-called "big players" drives a stock to its daily limit and the crowd follows. But locals insist they know what they are doing. "The Chinese are very smart," says Mr Chao Hsiao-Feng, president of the Stock Exchange. "They seek the most profitable channel."

That can mean finding ways around the law. As the market bounced back from last year's capital gains tax shock, the number of share accounts swelled astonishingly from less than 1m to 3m. Big investors had opened thousands of surrogate accounts, often using the names of college students, to spread their profits and avoid the tax, which applies to amounts over NT$10m a year.

The real number of investors is nevertheless thought to be at least 2m, or 10 per cent of the population. Demand still heavily outstrips supply, although this is changing. Mors companies are seeking listings – with 10 in September and October alone – and 29 rights issues have been completed this year. The amount raised, however, is less than half a per cent of the market's capitalisation.

The Government's latest plan to cool feverish demand is a share transaction tax, which will replace the discredited capital gains tax next year. It was initially to be 3 per cent, but the figure has come down to 1.5 per cent and many people believe it will be set at less than 1 per cent. The Government does not want to cause another upset just before December's elections.

The watchdog Securities and Exchange Commission, hampered by staff shortages, is also treading softly with its measures to curb manipulation. These include widening the daily price fluctuation limits, improving the quality of information, introducing a central share depository next year, and working with the Justice Ministry to stop insider trading.

The gloves may come off once the elections are over. "Some of the big players are seeing this grace period (before the sales tax in January) as a last chance to make big money in Taiwan before it changes to being a boring market like Hong Kong," says Mr John Engle of Hoare Govett, the securities firm.

Not that everyone is disheartened. Mr Li's homework tells him that the autumn will bring a fall of between 30 per cent and 40 per cent. But next year, he predicts, "the market will reach 15,000."

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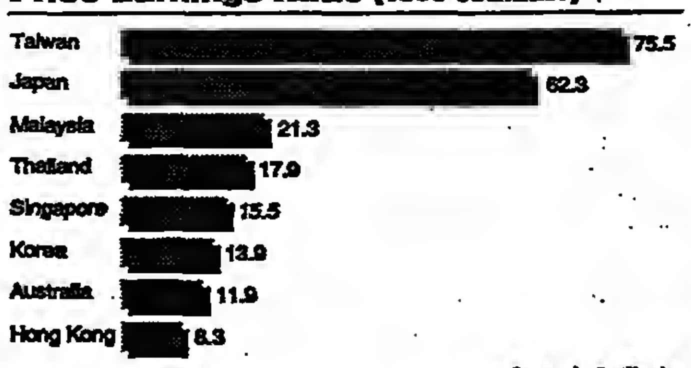
Price Earnings Ratio (1989 estimate)



Source: Jardine Fleming

Alison Maitland examines the expanding high-technology sector

Aided by a 'reverse brain drain'

In the picture: Taiwan produced 10 per cent of the world's personal computers last year

ONCE decried as a nation of copy cat producers, Taiwan finds that the tables are turning as its high-technology industry advances into adulthood.

Microtek International, a leading Taiwan-based producer of image scanners, has recently taken a small competitor to court. It alleges that Umax, founded by six former employees of Microtek, is making the same product at a nearby plant using techniques learned at Microtek.

Mr T C Chiang, of the Lee and Li law firm who is handling the case for Microtek, says that know-how – techniques absorbed during the course of a product's development – cannot be protected by copyright law. "We want to establish a concept that intellectual property can be protected by civil law, even if it is not patent or copyright," he says.

The case is currently pending with a district court and is being closely watched by the Government, since it may set a significant precedent.

Microtek, whose sales ballooned from $6m in 1984 to $36.8m in 1988, was one of the first companies to set up in Taiwan's pioneering high-tech science park, Hsinchu, in 1980. The park, about 70 km south-west of Taipei, now has 100 companies with 16,000 employees and is at the heart of the country's drive upmarket into sophisticated and high-quality goods.

Steeply rising land and labour costs and an appreciating currency hava made Taiwan's former staple of low cost production uncompetitive. "We have to keep moving ahead because our national goal is to become a developed country before 2000," says Dr Irving Ho, president of the government-sponsored Institute for Information Industry, who was the science park's first director general.

The road ahead is steep. Taiwan's hardware output last year totalled $5.2bn, while the software and service side prodnced only $400m. Overcapacity is helping push hardware prices down worldwide, while a severe shortage of experts in the software field is expected by the mid-1990s.

"If we develop ourselves into a leading software and systems manufacturer, it should have a good impact on computer application in the worldwide market, and everybody would benefit," Mr Ho says.

Companies in the science park now spend between 5 per cent and 10 per cent of their sales on research and development, compared with an average of 0.5 per cent in the manufacturing sector as a whole. Taiwan's mainly small and medium-sized businesses have generally spent little on R&D. So the Government established the Indnstrial Technology Research Institute in 1973 to develop new ideas, or license them from abroad, and transfer the results to the private sector.

The industry has attracted overseas Chinese from the US and elsewhere

As the industry has grown, it has attracted a "reverse brain drain" of overseas Chinese, who have returned from the US and elsewhere. At first, local Taiwanese thought the industry too risky, but a series of successful stock market flotations by computer companies has spread the word that business can be lucrative.

Technology is still coming into Taiwan from abroad, but local companies are also exporting their own technology for the first time. Mitac International, a Hsinchu-based manufacturer of personal computers, announced last month that it was transferring complete plant technology for the manufacture of two of its existing PC models to an Indonesian company, Multipolar, which will pay it fees and royalties.

The venture will enable Mitac to spread its brand name, a growing preoccupation since only a handful of Taiwanese companies are familiar abroad, especially in the West. Acer, Taiwan's biggest computer manufacturer, has set up an association with four other groups to promote Taiwanese brand names in an effort to retain a competitive edge over south-east Asian producers. The Government would like to see an increase in brand name computers to 40 per cent of total output over the next four years, from 20 per cent now.

Competition is becoming tougher in other ways, too. Microtek says its revenues are down this year, mainly because Hewlett-Packard of the US entered the market for scanners last year and the price of a colour scanner has plunged from $3,900 to $2,200.

The worldwide downturn in the chip market is also hurting Taiwanese producers. Taiwan Semiconductor Manufacturing Company (TSMC), a joint venture between Philips of the Netherlands and the Taiwan Government, was set up in 1987 purely to make computer chips. Dr Klaus Wiemer, its president, says that 50 per cent of their local market has disappeared in about three months.

TSMC, which currently makes 12,000 chips a month and will have five times that capacity with its new plant starting early next year, is itself weathering the storm. "We have refilled capacity with added requirements from overseas," says Dr Wiemer.

He argues that Taiwanese computer makers are particularly vulnerable to the current downturn because they mainly make consumer goods, a market that has softened appreciably. Taiwan produced 10 per cent of the world's personal computers last year.

Acer, meanwhile, has just set up a $250m joint venture in Taiwan with Texas Instruments of the US to make Dynamic Random Access Memory (D-Ram) chips, a potentially risky decision at a time when the Japanese are dropping plans to increase output because of falling demand. Mr Stan Shi, chairman, went into the venture with his eyes open: "Taiwan needs a D-Ram industry for the long term," he says. "If you need that, you have to carry the risk."

Mr Morris Chang, chairman of the Industrial Technology Research Institute, says Taiwan is building enough capacity to become the world's fourth producer of chips by 1992, behind Japan, the US and South Korea.

A downturn could be a good experience, he argues. "Some companies will be in trouble and some may have to fold. But I think we will see a dynamic growth period for the Taiwanese integrated circuit industry. Given a few years, the industry will adjust to a more healthy balance of capacity versus demand."

John Elliott on why businesses are increasingly investing abroad

Corporate net spreads overseas

TAIWAN'S businessmen have started making their mark around the world during the past two or three years as manufacturers and investors. Their first target has been new sources of cheap manufacturing labour. But increasingly they are wanting to spread their wings and gain marketing and technological expertise which is lacking at home.

"We want to get into the boardrooms of foreign companies to tap international lines of information," says Mr Nelson Chang, president of Chia Hsin Cement Corporation.

The search for cheap labour, to make products such as shoes, toys and textiles, has made Taiwan the first or second largest new investor in the Philippines, Thailand, Malaysia and Indonesia.

At the same time, foreign investment is continuing to flow into Taiwan in record amounts. In the first eight months of this year inward investment totalled $1.66bn, exceeding the pravious full year highest total of $1.42bn reached in 1987.

Taiwan's investments overseas started because of rising domestic wage costs and because of rapid increases in the value of the Taiwan dollar, which has appreciated by about 50 per cent in the past four years.

Companies have also wanted to expand from their relatively small domestic market of 20m people and to dilute the political and labour risks of operating at home. The outflow of capital was substantially freed two years ago and this has driven companies to look for investments and takeovers in the US and in Europe.

"We must establish footholds abroad now when there is so much surplus foreign exchange and then generate earnings for the day when the Taiwan economy has a downward trend," says Mr Chang. His company has diversified into textiles, property, computer software and financial services in Taiwan and is now working on two cement company acquisitions in the US and an African country.

In the first eight months of this year new investments abroad approved by the Taiwan government reached a record total of $509m compared with $153m in the same period last year. Mr Johnny Ni, director of the Ministry of Economic Affairs' Industrial Investment Centre says that these figures under-state the real total.

He estimates that the total value of new foreign projects backed by Taiwan investors (who often take old or new Taiwan plant with them) was nearer $1.5bn in the first eight months of this year compared with $1.4bn in the whole of last year. Bnt Mr Ni casts donbt on mainland China's claim that Taiwan businessmen have implemented $500m of investments indirectly through Hong Kong.

Mr Ni's figures show that in the first half of this year new Taiwan-backed investment totalled $410m in Thailand, $350m in Malaysia, $130m in the Philippines and $80m in Indonesia. He estimates the figure in the US at $1bn in the first eight months.

The official government $509m total for the first eight months include $349m in the US and $70m in Malaysia. The biggest industrial sector involved was chemicals at $322m, followed by electronics and electrical appliances at $87m and services at $34m.

Bnt Taiwan companies do not always find foreign excursions easy, especially on take-over bids. "It will be some years before Taiwan is really significant abroad because we don't have the necessary managerial depth," says Mr Douglas Hsu, president of Far East Textile, one of Taiwan's largest and internationally most active groups which is planning investments eventually totalling $200m in Filsyn, a recently acquired Philippines fibre company.

Taiwan has also found it difficult to negotiate special arrangements with the many countries that do not recognise it diplomatically because of international pressure exerted by Peking. It has managed to agree a double tax treaty only with Singapore, one of several countries with which it has so far failed to reach an investment protection agreement.

Mr Ni shows some impatience with such conntries, including the Philippines, where he says Taiwan has overtaken the US as the largest foreign investor but cannot obtain tax and investor agreements. "These countries need jobs for their people and to develop their economies. So they must find a solntion or big investments will not materialise for them."

Imperial Chemical Industries

Prize investment

TAIWAN was recently chosen by Imperial Chemical Industries in preference to countries such as South Korea, the Philippines and mainland China for a $300m fibre project which is the UK-based group's biggest single investment anywhere in a decade.

At a time when Taiwan's wages and land costs are rising sharply, and when there are also increasing labour, trade union, environmental and other problems, that might seem a curious decision on a highly mobile project.

Bnt ICI, which does not recognise unions in its Taiwan plants and has not suffered labour problems with its 600 employees, appears to have no doubts about its decision. There do not even appear to have been doubts following environmental pollution protests which forced it to to shut an existing joint venture plastics plant in the south of the island shortly after it announced the new venture.

"There is strong demand for the product – purified terephthalic acid (TPA) – and Taiwan provides a stable environment for foreign investment," says Mr John Chandler, ICI's local director. "It is one of the few places where you can have 100 per cent foreign ownership, and there is a high grade, though expensive, workforce available."

But, Mr Chandler cautions, "if you want cheap labour or have a high pollution factor do not come to Taiwan. It must be capital intensive and be a process which will not hring heavy pollution."

ICI's problems started after the new project was announced in July. They illustrate the social awareness and political sensitivity of environmental issues, especially in the south where pollution is worst and where the main opposition alliance, the Democratic Progressive Party, is strongest.

ICI has a 60 per cent stake in a plastics company called Kaohsiung Monomer, which annnally prodnces 35,000 tonnes of an acrylic intermediate known as MMA. Fishermen complained that a shipping subcontractor was dumping waste acid near the coast instead of taking it 20-25 miles out to sea.

ICI could not deny the accusation hnt has refused to accept a NT$900m (about £24m) claim from the fishermen. It is trying to reach a settlement with the government's Environmental Protection Administration and has offered to improve its monitoring of subcontractors' ships and to meet new legal requirements on reduced acidity neutralisation before the dumping.

Before the protests, it had started spending $50m on equipment which would dispose of the surplus acid and end the dumping at sea. This forms part of a $100m expansion to double output at Kaohsiung Monomer, which is 40 per cent owned by China Petrochemical Development Corporation, a Taiwan government company.

ICI has been in Taiwan for 41 years. It was involved only in trading until 10 years ago when it started production, including two joint ventures – Kaohsiung Monomer and Atlas Taiwan which make explosives. Its annual turnover is $200m, 60 per cent imported sales and 40 per cent local manufacture. Mr Chandler expects this to triple by 1992 when the new TPA plant will be operating and the doubling of output at Kaohsiung Monomer should be completed.

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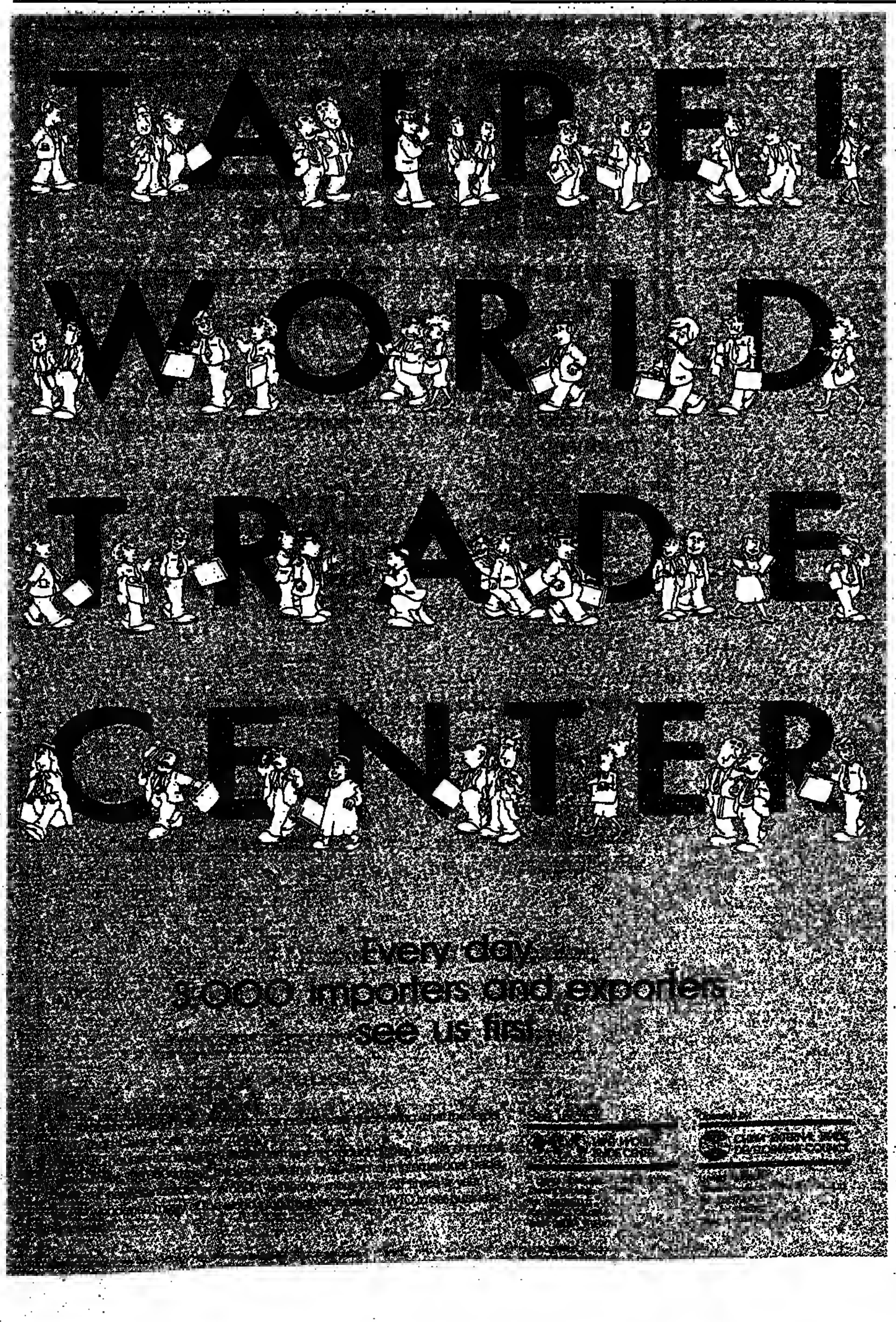

Alison Maitland on the country's unenviable pollution record

Green factor enters centre stage in run-up to election

ONE of the striking sights on the road into Taipei from the airport is the motorway toll booth attendants wearing surgical masks over their mouths and noses.

The reason is that traffic is so heavy on the overloaded motorway that it often grinds to a virtual halt and the air is thick with poisonous exhaust fumes. In Taipei, too, some of the hundreds of thousands of motorcyclists wear masks as they ride about in clouds of smoke.

Pollution has become a top public concern and the opposition Democratic Progressive Party (DPP) is making it a priority in the big cities for elections on December 2.

"The main issne is that Taiwan is one of the most polluted places on earth," says Mr Tsai Shih-Yuan, DPP deputy secretary general. "Since the late 1960s we ignored all the issues about pollution ... part of the reason for our successful export business is that we have a lot of pollnting industries and they haven't had to pay for the cost of pollntion."

With 546.5 people per square kilometre, Taiwan has the second highest population density in the world. Its 20m increasingly affinent citizens drive 10m cars and motorbikes, giving a motor vehicle density double that of Japan and 15 times that of the US. In June alone, more than 34,000 new cars and 153,000 motorbikes came onto the roads.

There are roughly 87,000 factories of every shape and size along the 340 km highway that links the north of the island with the south. Many use toxic substances which have been allowed to leak into the water and soil during years of environmental neglect.

Oysters raised in Taiwan contain rising amounts of heavy metals, while serious levels of cadmium, chromium, zinc, copper and lead have been discovered in arable land near factories and waste dumps.

There is only a minuscule amount of primary sewage treatment and the health risks are exacerbated by Taiwan's 7m pigs, which produce up to six times the excrement of a human.

Alison Maitland

Masked rider: Motorcyclists in Tapei are now forced to protect themselves against pollution

"Facilities to protect humans and nature from the toxic, mntagenic, carcinogenic, unsanitary and generally dirty and unpleasant consequences of industry are at best primitive," said a report published earlier this year by the Academia Sinica group of professors and researchers.

The report pointed out that public protests about pollution had become more common and in some cases more aggressive. "The public knows enough to become alarmed, but in general knows too little to act as responsible participants in the process of maintaining a healthy environment."

'In general the public knows too little to act as responsible participants in the process of maintaining a healthy environment'

In October last year there was a potential accident when residents of the southern industrial district of Lin Yuan laid siege to 18 petrochemical plants which they said were discharging waste water that polluted their fishing grounds. The demonstretors are reported to have tried to close valves and shut off pipes and to have been stopped only by bodily intervention by plant employees.

A spate of environmental protests like this have triggered increasingly large demands for compensation, which companies were at first willing to pay. As the amounts grew, so did accusations that some protestors were not gennine plaintiffs but were jumping on a lucrative bandwagon.

The Government now discourages direct compensation payments. But it has taken the growing unease about pollution on board and admits the problem is huge. Mr Shih-Chien Yang, director general of the Industrial Development Bureau, reckons it will take five years to sort out the country's industrial pollution and says there is a shortage of environmental control experts.

To co-ordinate the clean-up, the Government established an Environmental Protection Administration two years ago. The EPA has a committed young staff of 320 at its Taipei headquarters, 900 enforcement officers to check on polluting factories, and a long list of practical and educational plans such as the Blne Sky and Clean River projects.

With a budget this year of more than $500m and plans for the public and private sectors to spend up to $40bn on the environment by 2000, the EPA's head, Dr Eugene Chien, argues that the Government has made a U-turn in the past two years. "Things were deteriorating before, now we're going upwards," he says.

The EPA is seeking help from foreign companies that specialise in waste management and pollution control. For example, a $193m project to build three huge rubbish incinerators for the cities of Taipei and Kaohsiung is being planned and supervised by the West German group Fichtner.

Some westerners see Dr Chien as a crusader, locked in battle with entrenched political and business interests. Whether he wins is still an open question. As one western observer put it: "The Government is walking a tightrope, wanting to appear very aggressive and at the same time not to irritate powerful forces."

John Elliott on the trade unions since the lifting of martial law

A watershed in labour relations

FORD Motor's Taiwan company recently sent its trade union officials to Mazda's plant in Japan to learn co-operative ways of conducting labour relations. Meanwhile, Taiwan's emerging opposition is trying to politicise labour troubles, which could exacerbate conflicts.

This illustrates how Taiwan's infant trade unions and labour relations are at a watershed following the ending of martial law. The question is whether workers will concentrate on boosting their own wealth in a booming economy, or will they change their work ethic and combine in collective militancy.

"If you want me to make a choice between western and Japanese style labour relations, then because of our philosophies and our culture, I say that we prefer the Japanese style," says Mr Shou-Po Chao, chairman (with Minister of State rank) of the Council of Labour Affairs.

"Compared with Sonth Korea we have no union problems. We have none of Korea's huge bostility between labour and management, although the political parties are there at every strike," says Mr Nelson Chang, president of Chia Hsin Cement. "At present employees' bargaining strength stems from shortage of labour rather than militancy."

There is a serious scarcity of labour, especially on construction sites. But the Government is resisting demands for widespread import of workers because of the risk of social tension. There are already an estimated 20,000 illegal workers from elsewhere in Asia. Mr Chao's council has prepared guidelines for selective importation of people to work on specific construction projects, staying for not more than one or two years.

The question is whether workers will concentrate on boosting their own wealth or combine in collective militancy

No-one is sure which way the country's labour relations will now develop. Optimistic employers argue that after a rash of strikes which followed the lifting of martial law two years ago, employers and employees have settled down to more constructive relationships. This argument suggests that the traditional work ethic will curb militancy.

Others argue that the work ethic has already started to deteriorate and that there will be an inevitable build-up of trade union power, despite Taiwan's tradition of small companies and Confucian respect for authority and relationships.

Out of 8m people in employment, only 2.4m are in trade unions, which have been seen basically as constructive bridges between employers and employees, dominated by KMT-appointed leaders. The unions are mostly in-house, plus some external craft-based organisations. Many are linked to industrial and geographical union federations which have no real power. Only a fraction of the unionised total are so far covered by collective bargaining agreements, although the Council of Labour is now encouraging employers to introduce them.

For many years employers have only been required by law to take account of tbeir employees' welfare. This has centred on profit sharing — mainly paid in February or March as a Chinese New Year bonus. When strikes were permitted with the lifting of martial law, these bonuses became the focal point for industrial action.

Ford's factory — a 70 per cent Ford-owned mannfacturing and importing joint venture called Ford Lio Ho — paid three months' bonus this year after a three-day strike called in support of a claim for 10 months' bonus. The three months amounts to 5 per cent of profits and this has now been included in the company's first collective agreement as a fixed percentage for the future. Ford also pays a two-month year-end bonus and a 24-day attendance bonus which brings the pay of the company's 2,500 hourly paid workers up to the equivalent of about 18 months salary a year at an average rate of T$19,000 a month.

Such high bonuses are not unusual. Far East Textile, a major Taiwan group which has faced union troubles and has been averaging between 15 per cent and 20 per cent wage increases for several years, paid 190 days bonus in one plant last year after a one-day strike. This year it paid 165 days and Mr Douglas Hsu, the president, says the group average is 130-140 days.

The new labour laws will provide a framework of legislation which Taiwan needs as its economy develops

The other main source of trouble has been disputes over employees' rights and employment conditions, especially on issues like severance pay. In many cases the disputes have been caused by conflicting interpretations of the Labour Standards Law which lays down minimum conditions and covers seven industries such as manufacturing, construction, agriculture and transport with about 3.5m workers.

Labour activists want the range of industries expanded. But employers say the law is already unfairly tilted against them and, backed by the Ministry of Economic Affairs, they are opposing any expansion. Revisions have been prepared by the Council of Labour. These are partly aimed at clarifying points which have caused dispntes and at introducing flexibility.

A revision of the Labour Union Law, which governs disputes and was last changed in 1975, is also being prepared. This will introduce the US concepts of unfair labour practices and private mediation and arbitration, plus restrictions on strikes affecting the public. It will cancel compnlsory union membership where unions exist, and will give general guidance on the conduct of strikes.

These laws could be highly contentious, but they will provide a framework of labour legislation which the country urgently needs as its economy develops.

Profile: Dr Fredrick Chien

Plea for mutual tolerance

"THE Government can no longer play the old role of a great patriarch, telling you: 'this you can do and that you cannot do and if you do this I am going to crack down,'" says Dr Fredrick Chien, a distinguished 54-year-old diplomat who is now chairman of the Council of Economic Planning and Development.

Dr Fredrick Chien

"I think the most worrisome thing is that we have had political democratisation, economic liberalisation and the social opening up, all coming to a confluence in a very brief period of two years. Therefore people are really enjoying this new found freedom and everybody would like to practice it to the maximum. That is what worries me. But I hope this will be temporary," he said.

Mr Chien was reflecting on problems created by Taiwan's recent massive changes which have lead to rampant gambling, especially on the stock exchange.

The country's work ethic has been put at risk and the hitherto almost unqnestioned authority of the Government has been questioned and even successfully challenged.

Sometimes tipped as a possible future prime minister, Mr Chien was Taiwan's *de facto* ambassador in the US for five years from 1983. He was born into a distinguished Shanghai family and is one of a younger generation of mainlanders who have achieved influential government posts in the past couple of years.

'The Government should learn that it is not omnipotent. It cannot interfere too much. The people will not tolerate it'

"The Government cannot exert its old role. It cannot interfere too much. The people will not tolerate it," he said, referring to at least two occasions when the Government has been forced by public protest to back down on policy decisions.

One happened a year ago when Ms Shirley Kuo, Finance Minister, imposed a tax on stock exchange dealings to try to dampen the market and was forced by speculators' protests to water down her plans.

"The Government simply should learn that it is not omnipotent, and the people should learn that too. If you want to have a democratic society you cannot have double standards."

Reflecting concern abont possible student unrest, Mr Chien said that the Government should urge educational institutions "to help the students exercise more self-control, to live and let live."

That kind of ethical approach should be popularised. "In other words try to discourage people from being overly egocentric." The Government should also provide better law and order enforcement to counter a rising crime rate.

Mr Chien said that Taiwan's labour problems were "not indigenous." Many "outsiders" from the US, Ireland and elsewhere had "come to lecture us." The international trade union movement had been very active.

"We have the traditional Chinese working ethic that employers treat employees as members of the family and it is reciprocated." Now a trade union movement was being imported, just as had happened in Japan. It would "take some time to achieve mutual respect and mutual tolerance."

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 10 1989

INSIDE

Building success in the shadows

Until now, Colonia Versicherung, West Germany's second-biggest insurer has – like most of its smaller counterparts – lived in the shadow of Allianz, Europe's biggest insurance company. It has been content to remain an amalgam of medium-sized companies that specialise in their own fields, a policy that has paid off, claims chief executive Dieter Wendelstadt (left). But what will happen in the wake of the takeover by Groupe Victoire of France? Haig Simonian reports. Page 22

New path to protection

It has long been realised that the crisis in British farming stands to have positive effects on the British countryside. Now, in direct response to this and the upsurge in environmental consciousness, the Country Landowners' Association is planning to speed up that process with proposals to ensure that streams are kept clear of pollutants, fields neatly hedged and footpaths properly maintained through farmers entering into contracts with their local councils. Bridget Bloom looks at the idea that the association will put to Mr Raymond MacSharry, European Community Agriculture Commissioner, in Brussels next month. Page 36

Working up a head of steam

Used nappies, potato peelings, last weekend's newspapers and uneaten food. All can be used to fire steam-producing boilers and play a part in a process being hailed as an ideal way to create energy and dispose of rubbish at the same time. However, some horrified observers see it as a recipe for environmental disaster. Peter Knight reports. Page 35

Finely balanced

An ebullient US stock market, propelled by encouraging economic news and an irrepressible dollar, could do no more than counterbalance the depressing effect of Japan's currency-inspired slide. As a result, with the US rising 2.8 per cent over the week and Japan falling 2.4 per cent, the FT-Actuaries World Index ended the week unchanged. Page 48

Brazil's strange beast

A state-owned company run by military officers and operating in a competitive, high-technology sector, Brazil's Embraer is certainly a strange beast. The civil and aviation company has in its 20-year history achieved a number of successes, including the sale of its Tucano trainer (above) to the RAF, but it has lately run into money problems. John Barham reports. Page 23

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Chief price changes yesterday

FRANKFURT (DM)

Rises		
Badenwerk	236	+ 7
Leifheit	624	+ 14
Rheinelektra	1840	+ 45
Falls		
Asko Deutsche K	875	− 23
Herlitz	269	− 2
Lahmeyer	1160	− 10

NEW YORK ($)

Rises		
AMR	104⅜	+ 1⅝
Amer. Medical	23⅞	+ ¾
Walt Disney	134⅞	+ 6¼
Delta	81¾	+ 1½
USAir	51⅞	+ 3¼
Falls		
Bolar Pharm.	20⅝	− 1¾

PARIS (FFr)

Rises		
Lab. Bellon	2390	+ 115.2
Locabail	775	+ 30.1
SAT	1470	+ 68.1
Falls		
CFF	1175	− 89.6
Eurotunnel	53	− 6.8
Printemps	780	− 30.7

TOKYO (Yen)

Rises		
Hirose Electric	6000	+ 750
Kasumi	2350	+ 290
Meiji Leather	1440	+ 240
Falls		
Superbag	1740	− 113
Toagosei Chem.	1170	− 60
Tsukamoto	1650	− 150

LONDON (Pence)

Rises		
Bk.Ireland	247	+ 8
Burmah	619	+ 16
Calor Grp.	415	+ 10
Guiness	602	+ 5
Saatchi	349½	+ 9½
Shell	440½	+ 5
Falls		
ASDA Grp.	167	− 7
BICC	476	− 7
Brit. Aero.	604	− 18
Brit. Telecom	259	− 5½
Cadbury Schw's.	379	− 12
Costain Grp.	308	− 13
Eurotunnel U's	528	− 40
GEC	229	− 6
Heywood Willms	260	− 12
Jaguar	685	− 46
Lloyds	378	− 5
Oxford Inst's	246	− 9
Redland	514	− 18
Warburgs (S.&G)	412	− 11

Eurotunnel confident amid cost problems

By Andrew Taylor in London and George Graham in Paris

EUROTUNNEL, the Anglo-French channel tunnel group, yesterday mounted a robust defence of its handling of the crisis it is facing as a result of rapidly rising construction costs.

Despite the announcement of increased revenue forecasts and better tunnelling rates recently, Eurotunnel's share price fell a further 40p to 528p yesterday.

The group said breakthrough on the first of three tunnels being built would occur "one year from now" – allowing people to walk between Britain and France for the first time since the Ice Age.

The group also denied that it was embroiled in a row with its contractors over increased costs.

Mr Alastair Morton, British joint chairman, said: "The momentum and physical progress on the project is now massive and pretty impressive and very close to programme.

"There is no row, brawl or any such word going on. What there is going on is a strong difference of commercial opinion."

Last week, Eurotunnel announced that the cost of building the tunnel would be at least £2bn ($3.14bn) more than originally forecast. Contractors and technical advisers to banks which have agreed to provide the group with £5bn in loans and standby credits say costs could be another £500m to £1bn higher than Eurotunnel's latest forecast. Contractors have made claims for about £750m in higher payments, which Eurotunnel is disputing.

Mr Morton and Mr André Bénard, his French co-chairman, defended Eurotunnel's position at yesterday's press conferences in London and Paris to publicise its interim results for the six months to the end of June.

Mr Bénard said the physical progress of the tunnel was satisfactory, but admitted that relations with the contractors were difficult.

Eurotunnel was currently talking about raising between £1bn and £1.5bn early next year.

Mr Tony Ridley, project managing director, said contractors had made substantial progress digging the central service tunnel during the last six weeks. A record 445 metres had been achieved last week. Breakthrough on the service tunnel was expected one year from now.

Mr Ridley said French tunnellers digging the main running tunnels were between eight and 13 weeks ahead of schedule, while the British were eight to 12 weeks behind schedule.

Eurotunnel has also modified its traffic forecasts. These now show a smaller amount of rail passengers and bulk freight using the tunnel during the years following the opening in 1993, but a larger number of cars, lorries and coaches being carried through the tunnel on shuttle trains operated by Eurotunnel.

The net effect is that revenue is unchanged in the early years, but rises sharply by 2003 compared with previous forecasts as rail traffic increases following the completion of high-speed links.

Lex, Page 20

Trevor Humphries

I see no ships: Alastair Morton presenting Eurotunnel's interim figures in London yesterday.

Standard-bearing WestLB grabs the political initiative

Haig Simonian explains how the group has sought to take the lead in the restructuring of West Germany's public-sector banking system

By teaming up with Britain's Standard Chartered Bank, Westdeutsche Landesbank (WestLB), West Germany's fourth biggest bank and its biggest public-sector financial institution, has established itself as the decisive force in the long-awaited restructuring of Germany's public-sector banking system.

But last week's announcement, in which WestLB said it had agreed both to buy the UK bank's European-branch network and set up a joint merchant bank, is little more than a partial solution to the deeper problems facing Germany's public-sector banks.

The deal should boost WestLB's growing international and merchant banking presence, and so guarantee it the biggest seat in any negotiations on a reorganisation of the public sector Landesbanken which is now under way.

But it does little to tackle the prime problem confronting Germany's public sector savings banks and the Landesbanken, which they own jointly with the regional state governments.

For WestLB, and all the 10 other Landesbanken, will remain at a decisive disadvantage to their private-sector rivals, until they can gain better access to cheap retail deposits and establish a stronger corporate client base.

According to the deal, the two banks will combine their merchant banking and corporate finance activities in a new joint venture, comprising Standard Chartered Merchant Bank and WestLB's existing corporate finance activities based in Düsseldorf, but now spreading to Frankfurt and London.

WestLB is also buying Standard Chartared's European branch network, employing some 550 staff in 10 countries, but excluding its operations in Switzerland and in Frankfurt. The German bank will also gain access to the UK bank's worldwide network, covering some 740 branches, with the emphasis in Africa and Asia.

Like the co-operation between Royal Bank of Scotland and Banco Santander of Spain, the deal is a further indication of the mounting interest among European banks in forming cross-border alliances in anticipation of the single market after 1992.

This is a trend which is particularly pronounced in medium-sized banks, like WestLB and Standard, whicb lack the resources to go it alone.

Whether the WestLB/Standard Chartered decision is the right solution to either bank's longer-term problems remains far from clear, not least because there are obvious limits to the range of co-operation that a publicly-owned bank such as WestLB can envisage with a private-sector institution such as Standard Chartered.

By teaming up with the Germans, Standard Chartered will gain a useful extra slice of Tier 1 capital and transfer much of its loss-making European business to an institution which thinks it can do it better. The bank will also improve its access to the export-oriented German market – a lucrative source of business to a multinational bank specialising in trade finance.

There are obviously advantages for the Germans too. Although the public-sector Landesbanken are powerful forces in part of their home market – especially in the fixed-income securities business – all have lagged in foreign expansion and in fee-related businesses like merchant banking. The deal will address this weakness at WestLB in a number of ways. It will improve WestLB's access to London, where the merchant banking business in particular is more developed than in Germany.

Moreover, by pooling resources with Standard Chartered's merchant bank, WestLB's corporate financiers will be able to leapfrog Frankfurt, where the bank tried, and failed, to merge with Hessische Landesbank, a smaller but better located Landesbank, last year.

But even when the agreement is completed Standard Chartered will still lack an adequate UK business base and WestLB will have done little to escape from its own narrow base in its home market. The result is that both banks remain unusually vulnerable to developments outside their control.

WestLB's problems are particularly marked. Rather than having access to cheap customer deposits – a business reserved for savings banks in Germany's public-sector banking system – it has to fund itself in the wholesale money markets.

But as the difference between short and long-term German interest rates has flattened in the past two years, this business of maturity transformation on which it is heavily dependent, has become much less profitable and earnings have slipped.

Partial group operating profits fell by 15 per cent to DM706m in 1988 and recorded a 29 per cent drop to DM277m at parent bank level at the interim stage this year.

WestLB has been more successful than some of its public-sector counterparts in overcoming its difficulties by investing heavily in new lines of fee-earning business, like corporate finance, to reduce its dependence on the vagaries of German interest rates. But it still lacks the privileged corporate banking relationships enjoyed by some of the country's biggest private-sector banks, and so it is having to fight for lucrative corporate finance business with one hand tied behind its back.

The decision to join forces with the UK bank could hardly have come at a more sensitive time for Germany's public-sector banks, which are at long last trying to get to gripe with some of the structnral problems they face.

According to a report commissioned hy tbe German Savings Banks Association from McKinsey, the management consultants, the Landesbanken should team up in a new "summit" institution, which would combine their resources and allow for considerable economies of scale. How matters will now develop following WestLB's bombshell is now mnch less certain, however. For some observers, the bank's pre-emptive move has torpedoed what little chance the McKinsey plan had of triggering far-reaching changes.

WestLB puts a different gloss on matters. It claims that the link with Standard Chartered is precisely in line with what the consultants ordered.

Co-operating in merchant banking will accelerate the public-sector banks' drive to become more competitive in fee-earning business; buying Standard Chartered's European network will provide the basis for foreign expansion ahead of 1992; while the right to use its worldwide network will overcome exactly the weakness in overseas business the consultants pinpointed, it argues.

But the WestLB/Standard Chartered initiative also runs the risk of adding to the confusion among the public sector banks about the direction restructuring should take. Hence in the end it may only only postpone some of the difficult decisions that still have to be taken.

	West LB	Standard Chartered
Branches	22 *	740
Employees	9,700	28,000
Total assets	DM166bn (£56bn)	£23.7bn
Net profits (end 1988)	DM161m (£54m)	£313m
Shareholders	State government of North Rhine Westphalia/regional savings bank organisations	Publicly-quoted company

* Includes rep. offices

Friedel Neuber, chief executive of WestLB

ICI in $450m sale to Merck venture

By Peter Marsh in London

IMPERIAL Chemical Industries is to sell its US non-prescription drug business to a joint venture between Merck and Johnson & Johnson, two big US pharmaceuticals companies. The deal is worth more than $450m.

The transaction, announced yesterday, will be effected partly by a cash payment, believed to be between $350m and $400m.

ICI, Britain's biggest chemicals company, is also receiving the rights to sell in the US a prescription-only drug developed by Merck for relieving depression, a field which the UK company is anxious to move into.

The agreement is part of the recent restructuring in the world's $120bn-a-year drugs industry. Recently, several large pharmaceutical companies have merged, while others have shed parts of their businesses to concentrate on what they consider to be more profitable areas.

Merck, the world's biggest drugs company, formed its joint venture with Johnson & Johnson on over-the-counter (OTC) medicines in March this year as a way of diversifying away from the prescription-only business.

OTC products, which do not need a doctor's prescription, can be bought in a variety of retail outlets and are generally thought to have good growth prospects, even though margins are lower than on many prescription drugs.

Johnson & Johnson is one of the leaders in the US non-prescription medicines market, whicb is worth about $10bn a year and is expanding rapidly.

The company is working with Merck to produce variations on a number of Merck prescription-only formnlations to make them suitable for retail sales.

Under the deal announced yesterday, the Merck/Johnson & Johnson venture will take over responsibility for selling OTC products which ICI markets in the US under the Stuart brand name. These products, with sales of about $125m last year, include Mylanta and Mylicon – medicines for relieving mild stomach disorders.

The joint venture will also take over an ICI drug production unit in Pasadena, California.

As part of the agreement, ICI will receive the rights to sell in the US a Merck anti-depressant product called Elavil, which has US sales of about $30m a year.

ICI, which is about 20th in the world drug industry sales league, had pharmaceutical revenues last year of $2.1bn.

Shares in Singapore investment fund to be placed today

By Nikki Tait in London

SHARES in a new $30m investment company, the Singapore SESDAQ Fund, specialising in investments in Singapore's second-tier market are due to be placed today.

The fund is Jersey-based and will be managed by John Govett. It will invest primarily in the 14 companies which make up the SESDAQ (Stock Exchange of Singapore Dealing and Automated Quotation market), but also in unquoted companies which the managers think will be coming to the market. In addition, the fund can consider investments in securities which have moved up from a SESDAQ listing to the main Singapore market.

The total market capitalisation of the SEQDAQ, which was effectively launched in early 1987 is just under $800 million.

The company is offering 3m shares and 600,000 warrants for subscription, in units of five shares and one warrant. The offer price is $10.50 per share, of which $0.50 will go on underwriting and placing commissions. Issue and other initial expenses amount to some $500,000, leaving a net $29.5m to be invested. Each warrant entitles the holder to subscribe for one share at $10.50 between the end of March 1990 and the end of October 1992.

Govett Oriental, one of the investment trusts in the John Govett stable, has already agreed to take 25 per cent of the issue. There is also an option arrangement under which Govett Oriental has agreed to amass a portfolio of up to $15m-worth of Singapore securities which John Govett and the new fund's brokers, Hoare Govett, can then purchase. The purchase price would be the initial cost to Govett Oriental, its carrying costs plus commission of 2 per cent.

Dealings in the shares of the fund are due to start on October 19. The management fee on the fund is 1.25 per cent per annum, and the managers also receive an arrangement fee of $180,000 in respect of "services towards the sponsorship of the company."

The new company is the latest in a number of investment funds to be launched in London, specialising in the stock markets of South East Asia. These have included the Thornton Emerging Markets Investment Trust and, more recently, the Drayton Asia Trust – both of which raised about £100m.

The SESDAQ market effectively came into existance in February 1987. It is established under the auspices of the main Stock Exchange of Singapore.

Euro Disneyland issue meets huge French demand

By George Graham in Paris

THE flotation of Euro Disneyland, the leisure park under construction near Paris, opened to overwhelming demand yesterday, the first day for subscriptions in France.

Bankers handling the issue said the shares allotted to France – half of the FFr3.1bn ($483.6m) offering – had been several times oversubscribed already yesterday.

A number of branches of Banque Nationale de Paris, co-lead manager with Banque Indosuez, were already refusing in the morning to accept further orders from customers, saying they had used up their allocations. Several stockbrokers also said they had been unable to obtain any Euro Disneyland paper.

The offering has not yet been formally closed, but it appears likely that any orders placed from now on will have only slim chances of success.

In France, Euro Disneyland has chosen the method of "public subscription," rather than the "offer for sale" format generally used for large flotations, such as privatisations or the recent offering of Yves Saint Laurent, the fashion house.

Under the public subscription system shares are allocated to a pool of banks and each bank may then redistribute them as it sees fit.

With an offer for sale, all orders are centralised and then scaled down, if necessary, by a uniform percentage.

The balance of the shares are being sold elsewhere in the European Community, with the UK absorbing about 25 per cent. S.G. Warburg Securities, the London securities house which is lead manager of the international tranche, yesterday reported strong demand for the shares across Europe.

Accor sees good year as interim profits leap 40%

By William Dawkins in Paris

ACCOR, the world's eighth-largest hotel group, yesterday produced a 40.2 per cent rise in net profits for the first half of the year and confirmed that 1989 profits were expected to rise by 22.5 per cent to FFr575m ($89.7m).

The company's net profit climbed to FFr220.6m from FFr157.3m on turnover up from FFr6.35bn to FFr7.17bn.

After-tax profit was struck before a steep fall in exceptional profits from FFr45.9m to FFr12.9m.

Accor operates 773 hotels in 53 countries, including the Sofitel, Novotel, Ibis, Mercure and Formule 1 chains. It opened 74 establishments in the first half of 1989 and expects the total to reach 800, with 90,000 rooms, by year-end.

Its restaurant chains include l'Arche in France, Meda's in Spain and Pizza DelArte in both countries.

The group, 10 per cent owned by Société Générale de Belgique, the Belgian holding company, attributed the profits improvement to good performances from its European hotels, its French and Spanish motorway and shopping centre restaurants and its luncheon voucher business.

Accor is the world's leading provider of luncheon vouchers, under its Ticket Restaurant brand. The number of voucher holders rose 22 per cent, by 653,000 to 3.8m.

● Elf Aquitaine, the big French oil group, plans to reorganise its oil and gas activities by grouping three divisions into a single unit. The new hydrocarbon division would combine exploration and production, refining and marketing and international trading and maritime transport activities.

Belgium introduces new rules on takeovers

By Tim Dickson in Brussels

THE shock waves from Mr Carlo De Benedetti's bold but unsuccessful bid for Société Générale de Belgique, the country's biggest holding company, have been felt again in Belgium, with the Cabinet's approval of new rules governing company takeovers.

Known affectionately as the "De Benedetti law," it lays ground rules for companies that launch takeovers and sets limits on the tactics target companies can employ to defend themselves.

The rules follow earlier legislation introduced in July stipulating that shareholdings of 5 per cent or more be made public.

The most important of the new changes ensures that bidding companies make an offer for all outstanding shares of publicly quoted companies, thereby ruling out the sort of partial offer made by the Italian businessman at the height of the battle for La Générale.

Unlike some countries, however, Belgium is not insisting that bids have to be triggered when a major shareholder exceeds a specific share stake.

Full details of the text, which has been inspired to some extent by British takeover rules and which follows closely the proposed European Community directive, has yet to be fully assessed by stockbrokers.

One said yesterday, for example, that while it was clear that bids could be resisted by issuing shares to friendly parties within certain constraints, the impact of the new rules on existing "poison pills" was less certain.

Asked whether the new law would affect the pace of takeover activity, he replied: "I don't think it will make much difference. The new rules are important and will make things a bit more difficult, but there are always ways of getting round the law in Belgium.".

● Cobepa, the Belgian holding company of France's Paribas group, said consolidated net profit jumped by 88 per cent to BFr3.13bn ($78.6m) in the first half of 1989.

Colonia ready to attack foreign markets

Haig Simonian on the way forward for Germany's second-biggest insurance group

Listening to Mr Dieter Wendelstadt, the blunt 59-year-old chief executive of Colonia Versicherung, the West German insurer, it is hard to understand why the stock market added more than a third to the company's value within hours of its takeover by Groupe Victoire, its French counterpart, being announced.

Mr Wendelstadt, a north German with a chemicals industry background who has run Colonia since 1973, has grounds to be cautious. Formal contracts between the two companies have only just been signed and the real brainstorming over who does what within the company has barely begun.

But the stock market may still be underestimating Colonia's hidden value – estimates for the price Victoire paid range from DM1,800 to DM3,000 a share, against the DM1,275 they were trading at yesterday.

Although Colonia is Germany's second-biggest insurer, with total premiums of about DM8.2bn ($4.3bn) if non-consolidated subsidiaries such as Nordstern Allgemeine Versicherung and Kölnische Rückversicherung (Cologne Re) are included, the group falls under the shadow of Allianz, Europe's biggest insurer.

But Mr Wendelstadt says Colonia's policy of remaining an amalgam of middle-sized companies has paid off. By letting each member retain its own identity, the group as a whole has gained a bigger slice of the cake. "We can do more in the different markets we are in if we do it as independent units," he says.

Nordstern has developed a strong transport business and art insurance, while Colonia itself specialises in general lines. Motor insurance accounts for 33 per cent of its total premiums, followed by liability with just under 25 per cent.

Specialisation is most evident at Cologne Re, where the peculiar nature of the re-insurance business, with premiums coming exclusively from primary insurers, makes the stress on independence all the more important.

Financially, the strategy appears to have paid off. Net profits at the general, life and re-insurance operations have all risen steadily in the past three years. But whether matters will change radically under French control is a subject Mr Wendelstadt appears reluctant to address.

"My job is to run a company," he insists. But his tone suggests the subject – or at least the way it is treated in the German press – remains touchy for an otherwise sober businessman.

In contemplating the future, Mr Wendelstadt is reassured by the close informal links that have existed between Colonia and Victoire. For the past 16 years he has been the chief agent for Victoire in Germany, while his now-retired counterpart at Victoire, Mr Michel Marchal, performed the same function on behalf of Colonia in France.


Dieter Wendelstadt: 'Whoever has the majority has the say'

It is clear integration will be lengthy and joint committees have been formed to assess the best options. Mr Wendelstadt and Mr Claas Kleyboldt, chief executive of Nordstern, will join the board of the new Dutch holding company being established, while an unspecified number of Victoire designates will be appointed to the Colonia board.

While the German group clearly believes it will be left a free hand in running its business, there are already some clear areas for co-operation, with international business the most obvious.

While Victoire has a marked domestic leaning, Colonia is relatively strong outside Germany. About DM520m of the DM2.39bn total premiums at Colonia Versicherung alone were generated outside Germany last year.

Mr Wendelstadt expects the strongest benefits to come in new foreign ventures, rather than from tampering with existing operations. "I prefer that we think about new things," he says, stressing the dangers of welding together the companies' existing international activities.

Italy and Spain, where Colonia is relatively weak, are obvious starting points, followed by the US and, later, Latin America and south-east Asia.

But nothing will change overnight. "This is an operation you must see in a 10-year dimension."

Eastern Europe could also prove promising. Last May Colonia bought a 12 per cent stake in Atlasz, a Hungarian travel insurer, in a tentative step towards what it sees as an increasingly important market.

Investment policy offers further growth potential. Victoire and Colonia already co-operate informally, with Mr Henri Katz, Victoire's finance boss, sitting in on Colonia's investment committee.

Additional steps could involve joint investments or greater co-ordination of the two companies' existing portfolios.

Again, Mr Wendelstadt stresses the importance of new structures. "We want to do something new, not just break our heads over re-organising our existing activities."

Surprisingly, however, he has less to say about developing joint insurance policies. Rather than grand ideas about common retail products, Mr Wendelstadt identifies industrial business as being an early beneficiary of the two companies' link, with the ability to cover clients in each other's countries.

Special lines, such as travel, health and life insurance cover for corporate staff being transferred from one country to another, could follow.

What will the new relationship mean for Winterthur, the big Swiss insurer which bought a 37 per cent stake in Nordstern in 1987, undoubtedly in the expectation of gaining full control?

Mr Wendelstadt notes bluntly: "Whoever has the majority has the say, thank you very much. Why shouldn't we hang on to it. Nordstern is an essential part of our group and will stay there."

The French have agreed not to alter the shape of the Colonia group, but they would find it difficult to do so even if they changed their minds.

Such a step would make no sense financially. "Economically it's complete madness for all those involved," Mr Wendelstadt says. About 60 per cent of the profits from disinvestment would go in tax and the French would get only about half the remainder.

"They didn't buy an operation like Colonia just to sell bits tomorrow," he says.

Managers gain control of Revisuisse in buy-out

By William Dullforce in Geneva

THE management of Revisuisse, Switzerland's fourth largest auditing group, has taken control of the company from Union Bank of Switzerland and Winterthur Insurance in a leveraged buy-out. Price Waterhouse Switzerland is taking a minority stake.

Mr Peter Weibel, chief executive, said the move conformed with new European Community regulations stipulating that the active management of an auditing company must hold the majority of its shares. Switzerland is not a member of the EC but Revisuisse, which has been the fastest growing Swiss auditing house in the last two years, is looking for an international market.

Its fee income rose by 24 per cent to SFr77m ($47m) in 1988 and it expects an increase of similar size this year.

No price was disclosed for the buy-out but Mr Weibel said all parties considered it to be a fair deal. The 30 partners will raise external loans.

Together UBS and Winterthur owned more than 66 per cent of the share capital.

Vallourec leaps to FFr4.35bn

VALLOUREC, the French producer of steel tubes, yesterday produced a more than fourfold increase in first-half profits to FFr4.35bn ($678m) on turnover up 21 per cent, writes William Dawkins from Paris.

Order books are so healthy that the group expects to maintain the current level of activity for the rest of the year. Net profits for the six months to June were FFr332m after a FFr132m depreciation charge, up from FFr72.9m in last year's first half, after a FFr137.9m charge. The group attributed the improvement to world demand.

Alfa-Laval advances by 51% after eight months

By John Burton in Stockholm

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, yesterday reported a 51 per cent rise in profits after financial items to SKr791m ($122m) for the first eight months of 1989. It forecast, however, that profits for the rest of the year would grow at a slower pace.

Sales climbed 22 per cent to SKr9.02bn and Alfa expects the favourable trend to continue for the rest of the year.

Demand was strong in all sectors, with a high volume of new orders. Group orders at end August amounted to SKr10.98bn, a 18 per cent rise.

The food division saw the biggest sales increase, with turnover rising by 31 per cent to SKr2.22bn. Two-thirds of the increase was due to the acquisition of two ready-cooked food companies, Koppens Machinefabriek in the Netherlands and Kramer & Grebe in West Germany. The industrial division reported a 21 per cent sales increase, to SKr4.93bn, while the agribusiness sector had a 15 per cent increase in sales, to SKr1.86bn.

American Medical accepts reduced offer from IMA

By Anatole Kaletsky in New York

AMERICAN Medical International, the third-largest US hospital management group, agreed yesterday to a reduced buy-out price of $26.50 a share from IMA Acquisition.

The troubled Los Angeles-based hospital company's decision followed last Friday's announcement that IMA had failed to find financing for its earlier offer of $28 a share. IMA is a leveraged buy-out partnership backed by the wealthy Pritzker family of Chicago.

Its financing was being organised by First Boston, but fell through, partly as a result of the collapse of the junk bond market last month. As in several recent cases where junk bond financing has proved difficult to arrange, commercial banks have stepped in to provide a larger proportion of the buy-out debt than originally expected.

Under the terms of the amended agreement, IMA will pay $26.50 in cash for up to 63m shares of American Medical, equivalent to 86 per cent of the hospital company's stock.

It will then exchange the remaining shares into 20 per cent of the common stock of a newly-formed company, IMA Holdings. Under the earlier offer, IMA was to pay $28 in cash for 94 per cent of American Medical and convert the remaining shares into a 10 per cent stake in the new holding company.

By lowering the cash payment and adding to the equity component that will be provided by American Medical's current shareholders, tha acquisition group clearly hopes to improve its chances of finding adequate financing.

Banks led by Chemical Bank have committed themselves to providing $1.075bn of senior debt and Chemical has said it is "highly confident" of syndicating a further $509m. The bank loans would therefore cover 95 per cent of the $1.669bn in cash required to buy out American Medical's present shareholders.

Previously tha banks planned to provide 89 per cent of the buy-out cash. To refinance existing debts and pay the fees connected with the transaction, First Boston would now provide a further $578m of subordinated debt, instead of the $712m originally intended. Yesterday's merger agreement said that the Wall Street investment bank had now committed itself to these subordinated loans.

Nevertheless, the deal remained contingent on full financing being completed, a condition that seemed to refer to the bank syndication being arranged by Chemical.

Embraer prepares to pull out of profits tailspin

Confidence remains high at Brazil's state-owned aircraft maker despite setbacks, writes **John Barham**

Embraer is one of the stranger beasts in the Brazilian corporate menagerie. It is a state-owned company run by military officers, operating in a competitive, high-technology sector. Against the odds, the group has escaped ths overstaffing and feather-bedding rife at other Brazilian state companies to grow into a successful challenger in the civil and military aviation business.

Its successes in the military sector include sales of its Tucano trainer to Britain, while its AMX subsonic fighter is going into service with the Italian and Brazilian air forces. The company also claims leadership of the world commuter aircraft market.

For most of its 20-year life the company has seen annual increases in sales and profits. But now profits have stopped growing. The Air Force colonels in command at Embraer had spent too long building low-cost planes and too little time at financial engineering.

Mired in debt and shut out of the US, its main market, by threatened trade sanctions, the company reported a $20m loss in 1988. This year, however, it hopes to rid itself of losses and even make a small profit.

Embraer sees its market growing well into the next century, but its fundamental problem is that its largest shareholder, the Brazilian Government, is almost insolvent.

The Air Ministry, which controls the company, preferred to leave it starved of capital rather than sell to the private sector. The group, in turn, acted only after its financial difficulties became clearly insoluble.

It has been unable to raise foreign loans – the only source of long-term finance – because of the debt crisis.

Miraculously, Embraer managed to cover half the $300m cost of its latest aircraft – the sleek 30-seat Brasilia – with expensive short-term loans. Bnt by last December its short-term debt had risen to $350m, equivalent to two-thirds of annual sales.

Now, with help from First Boston, the US investment bank, it is putting together a $410m loan and equity package to reorganise finances. Mr Adalto Ferreira da Silva, Embraer's finance director, explained there was plenty of room to sell shares to the public without endangering the government's control of ths company.

Brasilia holds 83 per cent of Embraer. Under Brazilian law a company can issue two non-voting shares for every voting share. That means a single shareholder – in this case, the Government – can control a company with only 17 per cent of equity. As it is, the government holds 97 per cent of voting stock. Non-voting stock in state companies dominates local equity markets, but the public has little control over the companies' affairs.

Embraer has started offering non-voting stock with a local issue of convertible debentures, which should raise $85m. It also plans to raise $100m through a debt-for-equity swap.

International banks will swap thair Brazilian loans at a discount for shares in Embraer, which will collect the debt's full face valua in local currency from the original debtor.

The money will be used to reduce short-term debt and provide funding for the CBA-123 aircraft Embraer is developing jointly with FAMA of Argentina.

The company and First Boston are working on another scheme to raise $225m for its next aircraft, a 45-seat jet passenger aircraft. They want to set up a participation fund in the US, which would sell shares to investors.

Mr da Silva said Embraer would sign a contract with the fund, granting members a commission on every aircraft sold outside Brazil. American fund members would also be entitled to US tax breaks.

Mr da Silva said Embraer's future was assured, in spite of its financial difficulties. The group claims to have won 40 per cent of the US commuter aircraft market, where its aircraft have gained a reputation for reliability and low cost.

Within three years both of the aircraft under development will be entering full production and boosting cashflow.

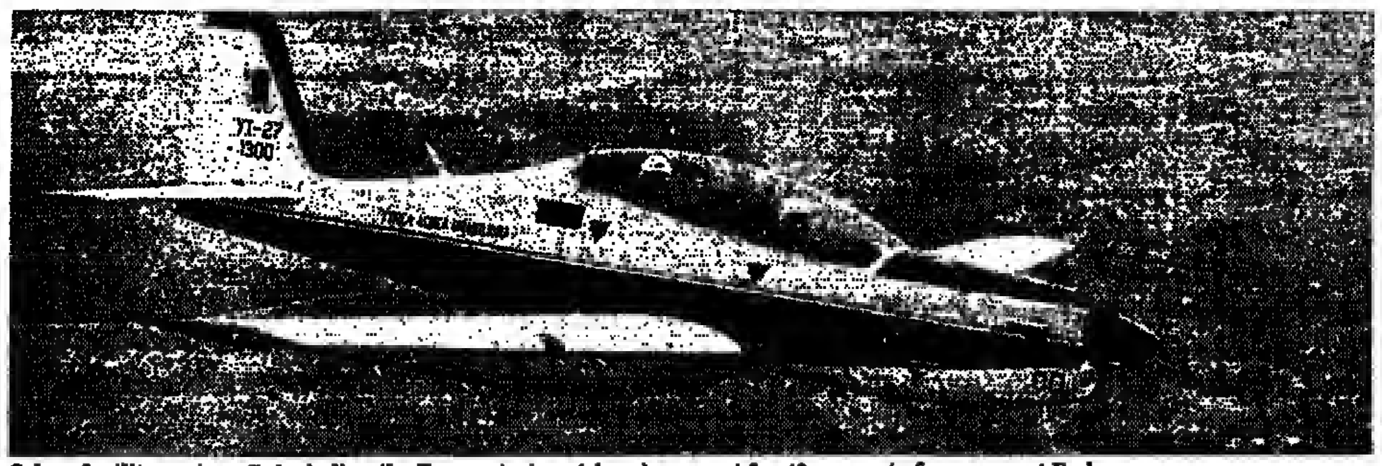
Embraer has a three-year backlog of orders for the Brasilia and 200 letters of intent signed for the 45-seater jet aircraft, which is still on the drawing boards.

The AMX fighter, developed jointly with Aeritalia and Aermacchi of Italy, is entering full production. Together with the Tucano, military sales sccount for 40 per cent of revenues, which reduces dependence on the civilian market.

Embraer expects to achieve financial stability by 1993. Sales by then sbould be approaching $1bn a year, compared with a forecast of $700m this year.

By then the company's earnings should be up to 10 per cent of sales, rather than the meagre 2.7 per cent achieved in 1986 and 1987, the last two years for which Embraer showed a profit.

"Who knows, by 1993 Embraer could even be listed on world stock exchanges," Mr da Silva mused.



Sales of military aircraft, including the Tucano trainer (above), account for 40 per cent of revennes at Embraer

Hewlett-Packard aims to extend industry horizons

By Louise Kehoe in San Francisco

HEWLETT-PACKARD aims to leapfrog competitors in the personal computer market with the launch today of the highest-performance personal computer to date, carrying personal computer power well into the realms of mini-computers.

Beating IBM, Compaq and others, Hewlett-Packard will unveil the first personal computer from a leading manufacturer to be powered by Intel's latest 486 microprocessor.

The new Vectra 486 will be 33 per cent faster than HP's current Vectra 386, the company said.

The new HP personal computer is also the first to use the Extended Industry Standard Architecture (EISA), developed collaboratively by nine of IBM's strongest competitors in the personal computer market as an alternative to the IBM Micro Channel.

EISA is a standard for internal communications between the various parts of a microcomputer. It enables faster data throughput for high-performance applications such as computer-aided design, or graphics simulations.

The cost of the new HP personal computer ranges from $14,000 to $20,000, establishing a new high for such products.

The performance and price of the new personal computer overlap significantly with those of computer workstations, blurring an already vague distinction between the general-purpose personal computer and workstations which have been aimed primarily at scientific, engineering and financial analysis applications.

In a move towards linking its personal computer and workstation product lines, HP said it would use EISA in future workstation products.

INTERNATIONAL COMPANIES AND FINANCE

Inquiry 'not to blame' for delay in Bond results

THE NATIONAL Companies and Securities Commission (NCSC), Australia's corporate watchdog, has denied Bond Corp Holdings' claims that it is responsible for delays in the release of Bond's accounts, Reuter reports.

Bond Corp's share price fell 4 cents to 28 cents yesterday, with stockbrokers blaming fears that the hold-up in the publication of the accounts could also postpone the disposal of Bond's brewing business to New Zealand's Lion Nathan group.

The NCSC said it rejected Bond Corp's explanation that its earnings report for the year ended June, 1989, due to be released by September 30, had been delayed by an NCSC inquiry.

"None of the officers or directors of Bond Corp or its subsidiaries has yet been required to attend the hearing," the commission said. Bond Corp should complete its audit without further delay, it added.

The inquiry is into dealings involving Bond Corp, the 58 per cent-controlled Bell Resources group and Bond International Gold.

Bond Corp declined to comment on the commission statement, but earlier said the delay to the accounts could in turn hold up registration of the formal documents for the brewing deal beyond the October 18 deadline to which the company had initially agreed.

Banque Franco Portugaise loses autonomy

BANCO NACIONAL Ultramarino of Portugal has been asked by the Bank of France to take over management control of Paris-based Banque Franco Portugaise, Reuter reports.

The central bank said in a brief communique: "This decision was prompted by the fact that the bank was no longer being managed under normal conditions." A Bank of France official indicated that the problem involved a change in senior management, but declined to elaborate.

Banco Nacional Ultramarino owns 34 per cent of Banque Franco Portugaise. The Bank of France said Ultramarino's business activity and client base equipped it to manage Banque Franco Portugaise.

Foreign banks in Tokyo up in arms

By Stefan Wagstyl in Tokyo

EUROPEAN BANKERS in Tokyo are up in arms at an attempt by the Brussels-based Federation of EC Banks to put pressure on the Japanese authorities for regulatory reforms.

In a report recently presented to the European Commission in Brussels, the federation demanded various reforms of rules it claimed discriminated against foreign banks in Tokyo. The body hoped the study would help the EC in forthcoming negotiations in the Uruguay round of the General Agreement on Tariffs and Trade (GATT), where financial liberalisation is on the agenda.

However, some foreign bankers in Tokyo say they were not consulted about the report. "It's nonsense. Some of it is factually not true," said one. "The things they have asked for have already been changed or else they're irrelevant. The barriers here are cultural, not regulatory."

Foreign bankers agree with the Bank of Japan, which last week rejected the criticism saying that it did not discriminate against foreign bankers and had received no complaints from foreign bankers about the points raised in the report.

Sir Jeremy Morse: heads Federation of EC Banks

The federation is a private grouping of EC banks, which is headed by Sir Jeremy Morse, chairman of Lloyds Bank. The three items in its report that have annoyed foreign bankers in Tokyo are demands for the abolition of a secured call market; for an end to special low-rate loans to Japanese banks by the Bank of Japan; and for the abolition of the role of Tanshi, financing companies, in interbank dealings.

Foreign bankers say the secured call market, a short-term market where funds can be borrowed against security of promissary notes, is open to most large foreign banks. So it is not run in a discriminatory way.

Nor do foreign bankers think low-rate loans to Japanese banks from the central bank are unfair. They say that Japanese banks have to deposit large amounts of securities with the central bank to win access to the low-rate loans. So there is no advantage in using them.

As for Tanshi, foreign bankers say these operate in a similar way to discount houses. The federation may be right in claiming that they allow the central bank to control the market tightly, say foreign bankers, but Japanese banks operate in the same conditions. So abolition would not help foreign banks.

Business conditions for most foreign banks in Tokyo have steadily worsened in the 1980s, due to the growing strength of Japanese banks and the onset of deregulation, which removed privileges as well as barriers. For example, foreign banks lost a lucrative near-monopoly of foreign currency loans. Pre-tax recurring profits of the 88 foreign banks totalled Y12.6bn ($86m) in the year to March, down 57 per cent from the previous year, according to the Japanese branch of KPMG Peat Marwick, the accountants.

This was the largest decline in profits in the past five years and was largely caused by the deregulation of the unsecured call market. Japanese banks had previously been very much kept out of this market by the Bank of Japan on the grounds that they should borrow in the secured call market because it was safer. But they were allowed in last November and the cost of borrowing rose, squeezing foreign banks' margins.

Rescue for Norwegian bank

By Karen Fossli in Oslo

A RESCUE plan for Sparebanken Nord Norge, a troubled medium-sized Norwegian savings bank which has about 75 per cent of the banking business in northern Norway, has been put forward by the central bank and the savings banks' Guarantee Fund.

Deepening losses, which have threatened the bank with insolvency for more than two years, reflect the economic crisis surrounding Norway's northern and coastal areas where the fishing, fish-farming and transportation sectors have remained severely depressed.

In the first eight months of this year the bank suffered losses on loans and guarantees of NKr546m ($78.4m) compared with NKr619m in the same period last year. Net losses totalled NKr246.9m, against NKr495.8m.

In a recent audit, Price Waterhouse concluded that the bank's long-term capital requirement was NKr2bn.

The main points in the rescue package are:

- Outstanding loans of NKr2.9bn to the central bank are to be reduced by NKr500m.
- The Guarantee Fund will provide a NKr500m cash injection to strengthen primary capital.
- NKr250m will be advanced by the fund to launch a relatively new hybrid share/bond financial instrument introduced last September to generate new equity capital.
- NKr100m from the fund will be allocated to acquire and redeem the bank's subordinated debt.
- NKr650m will be allocated as a guarantee for the bank's total liabilities.

The rescue package follows a NKr600m emergency capital injection made in September, which was combined with NKr200m in subsidies over a five-year period allocated by the central bank.

Aker profits rise sevenfold to NKr391m

By Karen Fossli

AKER, the big Norwegian industrial group, yesterday reported that pre-tax profits, before financial items, in the first eight months of this year had soared more than sevenfold to NKr391m ($56.2m) from NKr51m.

Mr Tom Ruud, deputy managing director, who also announced plans to change Aker's share structure, said the positive profits performance stemmed primarily from increased profits from Castle Cement of the UK and from Norwegian Contractors, the group's offshore oil platform designer and builder.

The cement division, which includes Castle, saw profits rise to NKr279m from NKr69m, with sales increasing to NKr2.95bn from NKr2.11bn. Aker Offshore posted profits of NKr219m on sales of NKr3.48bn versus NKr210m and NKr3.65bn a year ago.

Group operating profits more than doubled to NKr686m for the eight months from NKr318m, while total turnover decreased slightly to NKr9.7bn from NKr10.3bn.

For the whole of 1989, profits after financial items are expected to emerge at NKr550m, despite what Aker describes as a weak domestic market for building materials.

The company plans to change its share structure to strengthen group capital base and meet foreign interest in Aker's shares. Shares are to be split into two classes, voting and non-voting, and the company will establish "free shares," which can be owned by Norwegian or foreign investors.

These will comprise one-third of Aker's voting capital. The remaining two-thirds which are called "tied shares," also with voting rights, can be held only by Norwegians.

N Zealand meat deal to go ahead

WAITAKI INTERNATIONAL, New Zealand's biggest meat producer, has been cleared to take up to 25 per cent of the Auckland Farmers' Freezing Co-operative (AFFCO), Reuter reports.

New Zealand's anti-trust Commerce Commission said it had cleared AFFCO to buy Waitaki's North Island meat processing and wholesale business.

The purchase is part of a large restructuring, announced last month, of the North Island meat processing industry. Goodman Fielder Wattie and Fletcher Challenge each hold about 29 per cent of Waitaki.

The Commerce Commission said the North Island purchase was subject to AFFCO selling Waitaki's half-share in the Kaiti works to a party not associated with AFFCO, by February.

The sale of the half-share would follow negotiations with Kaiti's other half-owner Weddell Crown Corp, the Commerce Commission said.

Foreshadowing the restructure last month, the two companies said the move would allow farmers, members of AFFCO, eventually to buy back all the Waitaki shares.

Waitaki has already closed two South Island slaughter works and sold off a further two in the middle of last year.

NOTICE OF OPTIONAL REDEMPTION BY BONDHOLDERS

NEW ZEALAND FOREST PRODUCTS FINANCE N.V.

15¾ per cent. Guaranteed Bonds Due 1992

NOTICE IS HEREBY GIVEN, that the above Bonds are subject to redemption at the option of the Bondholder on January 17, 1990 at 100% of the principal amount thereof.

To exercise the option in respect of any Bond, a Bondholder must irrevocably deposit Bonds to be redeemed, together with all unmatured coupons appertaining thereto, with any Paying Agent against receipt during the period November 18, 1989 through December 18, 1989, both inclusive. Payment of Bonds to be redeemed will be made at the U.S. dollar equivalent of the principal amount of the Bonds unless the Bondholder elects to receive N.Z. dollars in payment thereof pursuant to Condition 8 of the Bonds.

Coupons payable on January 17, 1990 should be detached and presented in the usual manner.

NEW ZEALAND FOREST PRODUCTS FINANCE N.V.

Dated: October 10, 1989

PAN-HOLDING
SOCIETE ANONYME
LUXEMBOURG

The half-yearly report of the company will be available at the "Societe de la Bourse de Luxembourg" and the "Societe des Bourses Francaises" from October 25, 1989.

As of June 30, 1989, the net assets were as follows :

- Net cash assets 9.68%
  (of which 1.15% gold bullion)
- Investment portfolio and long-term investments 90.32%

(items exceeding 5%)

United States of America	: 23.2%
France	: 12.0%
Great Britain	: 10.3%
Japan	: 8.5%

The unconsolidated net asset value as of September 30, 1989 amounted to USD 317,191,573.86, that is USD 515.76 per share of USD 100 par value, increasing by 13.4% since December 31, 1988, dividend excluded. The consolidated net asset value amounted to USD 527.26 at the same date.

INTERNATIONAL CAPITAL MARKETS

Qatar oil group ready to sign delayed Euroloan

By Hunter Reynolds in Dubai

QATAR GENERAL Petroleum Company (QGPC) plans to sign its long-delayed $400m syndicated Euroloan by the end of this month, according to the National Bank of Qatar.

"The final touches are being put to the documentation and it will be signed shortly," commented a senior bank official.

The three-year term loan, with a margin of 22.5 basis points over Libor, was agreed with the 29 banks in the syndicate last January and guaranteed by the Government of Qatar. The cash is destined for the first phase of the North Dome gas field project, now under development. It is Qatar's first foray into the international capital market.

The delay was caused by a serious row which broke out when Qatari lawyers turned down the standard loan agreement and demanded changes in the loan documentation.

Gulf Investment Corporation (GIC) and Arab Petroleum Investment Corporation (Apicorp) were nominated as mediators when the Qataris refused to sign certain technical clauses, relating to jurisdiction and a negative pledge. After three months of talks, the Qataris now appear willing to sign.

Local bankers say the row reflects Qatar's inexperience in international capital markets. "Those directly involved included local lawyers, the Central Bank, the Ministry of Finance and QGPC; all were desperate to cover themselves in case something went wrong," commented one banker. "This has not been helped by an over-inflated view of their credit rating."

The bankers have expressed anger at the delays. "It has taken the gilt off the deal," commented one banker closely involved in the loan, which should have been signed in February. "This has dented Qatar's financial standing."

Bankers suggest that Qatar could face problems should it go to the market again. This is serious in view of the recently announced plans to build a $1.25bn aluminium smelter at Umm Said. "Banks will want to make sure that the rules of the game are clear before they start bidding," said a banker.

Meanwhile, Chase Investment Bank, which in June was mandated to raise $200m by Qatar, is believed to have had similar problems over documentation. It is not clear when the five-year loan will be signed.

F&CM to launch Mexico fund

By Hilary de Boerr

FOREIGN & Colonial Management, the London-based fund management group, is making its second foray into Latin America with the launch of a $50m Mexico fund.

The group, through its joint venture Latin American Securities, is launching the Mexico Investment Company at the end of this month. It already runs the Brazil Investment Company, established in 1987.

The open-ended Mexico fund will be registered offshore in Luxembourg and will be only the second country fund to invest in Mexico.

The closed-ended Mexico Fund, which has been operating since 1981, is listed on the New York Stock Exchange with a total capital of $147m.

Latin American Securities aims to take advantage of liberalisation moves at the world's best performing stock market, which has risen 122 per cent this year in local currency terms and 96 per cent in dollar terms, according to the FT-Actuaries World Indices.

In August, the Mexican authorities announced overseas investors would be able to invest in any of the 255 listed Mexican stocks, with trust arrangements in place to prevent foreigners gaining control of Mexican companies.

Mr Audley Twiston Davies, director at FCM, said his group had been investing in Mexican stocks before the liberalisation moves, but ownership restrictions meant there was little stock available to foreigners.

The current economic picture helped make Mexico an attractive investment, he said. Inflation fell to 16.9 per cent in August – having been as high as 179 per cent in February last year – and was forecast to drop to 12 per cent next year.

The Brady debt plan was helping to repatriate capital, while privatisation was proving a healthy source of new stock for the market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅞ 95	600	103	103¾	+0½	+1¼	8.66
Austria 9⅞ 93	140	102⅛	102¾	+0¼	+1	8.76
B.F.C.E. 8⅞ 94	175	98⅞	99	+0¼	+0⅜	8.69
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100½	100¾	0	0	5.61
Canada 5⅜ 93	80	100¼	100¾	-0¼	-0⅜	5.54
Eurofima 5 1995	20	97⅛	97½	0	-0⅜	5.58
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
E.I.B 4⅞ 98	150	†88	89	-0¼	-0¼	6.38
Finn. Exp. Cd. 8¼ 92	75	†100½	100¾	+0⅛	-0⅛	8.00
Fletcher Chall. 4⅞ 98	150	†81¼	82	+0⅜	+0⅜	7.92
I.A.O.B. 6 2004	200	†98	98¼	0	+0¼	6.19
Kobe City 4⅞ 98	150	†89	89½	+0¼	+0¾	6.25
Leeds Perm. B/S. 4⅛ 93	200	†89½	90½	-0⅝	-0½	7.45
Malaysia 5¼ 98	100	†82¾	83	+0¼	-2⅜	8.05
Maxwell Comm.Crp. 5 95	150	†83½	85	+1⅜	+2½	8.61
Nat. Bk. Hungary 5½ 94	75	†90	91	+0¼	+0½	7.78
Nationwide Ang.B/S. 4 93	200	†90	91	0	+0⅝	7.00
Prov. Newfoundland 5 03	150	†86	87	0	-1½	6.48
Thailand 4⅞ 95	200	†83½	83¾	+0⅞	+1⅝	8.31
World Bank 5 03	150	†87½	88	+0¾	-0⅝	6.35

Average price change... On day +0¼ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Ranks Hovis 4¾ 03 £	11/88	3.5	124	125	-0¼	-0.51
Redland 7¼ 02 £	11/87	5.4	100	101	-1⅞	2.40
Saatchi&Saatchi 6¾ 03 £	10/89	4.41	93½	94½	+0½	24.11
Silicon Graphics 8 04 US	16/89	23.18	111½	112½	-1⅞	10.47
Sumitomo Bank 3¼ 04 US	2/89	42%	81	82	+0¼	15.50
Texas Inst. 2¾ 02 US	19/87	82.87	76	77	-0¼	67.37
Utd.N'papers 8 04 £	10/89	8.77	111⅞	112¾	+0¼	113.17
W.R. Grace 6¼ 02 US	9/87	42.12	99¼	100¼	-0¼	16.30

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale de Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; Waltman Int.; S.G. Warburg Securities; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 9 October, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.8562	33.3613	44.0621
Albania	(Lek)	9.9582	6.3066	3.3472	4.4209
Algeria	(Dinar)	12.8089	8.1120	4.3055	5.6865
Andorra	(Fr Fr)	10.1025	6.3980	3.3957	4.4850
	(Sp Peseta)	188.60	119.4426	63.3949	83.7291
Angola	(Kwanza)	48.59	30.7726	16.3327	21.5715
Antigua	(E Carr $)	4.2687	2.7034	1.4348	1.8950
Argentina	(Austral)	1029.98	652.2989	346.2117	457.2608
Aruba	(Florin)	2.83	1.7922	0.9512	1.2563
Australia	(Aus $)	2.0183	1.2731	0.6757	0.8924
Austria	(Schilling)	20.94	13.2615	7.0386	9.2963
Azores	(Port Escudo)	253.00	160.2279	85.0420	112.3196
[illegible]					
Fiji Is	(Fiji $)	2.3725	1.5025	0.7974	1.0532
Finland	(Markka)	6.7818	4.2949	2.2795	3.0107
France	(Fr)	10.1025	6.3980	3.3957	4.4850
Fr. Cty/Africa	(CFA Fr)	505.13	319.9050	169.7915	224.2530
Fr. Guiana	(Local Fr)	10.1025	6.3980	3.3957	4.4850
Fr. Pacific Is	(CFP Fr)	180.00	113.9962	60.5042	79.9112
Gabon	(CFA Fr)	505.13	319.9050	169.7915	224.2530
Gambia	(Dalasi)	12.2559	7.7618	4.1196	5.4410
Germany East	(Ostmark)	2.9750	1.8841	1	1.3207
Germany West	(D-Mark)	2.9750	1.8841	1	1.3207
Ghana	(Cedi)	454.78	288.0177	152.8672	201.9001
Gibraltar	(Gib £)	1.00	0.6333	0.3361	0.4439
Greece	(Drachma)	263.73	167.0234	88.6487	117.0832
Greenland	(Danish Krone)	11.6100	7.3527	3.9025	5.1542
Grenada	(E Carr $)	4.2687	2.7034	1.4348	1.8950
Guadaloupe	(Local Fr)	10.1025	6.3980	3.3957	4.4850
Guam	(US $)	1.5790	1	0.5307	0.7009
Guatemala	(Quetzal)	4.5080	2.8549	1.5152	2.0013
Guinea	(Fr)	474.30	300.3799	159.4285	210.5660
Guinea-Bissau	(Peso)	1027.65	650.8233	345.4285	456.2264
Guyana	(Guyanese $)	47.26	29.9303	15.8857	20.9811
Haiti	(Gourde)	7.905	5.0063	2.6571	3.5094
Honduras	(Lempira)	3.1580	2	1.0615	1.4019
[illegible]					
N'nd Antilles	(A/Guilder)	2.8449	1.8017	0.9562	1.2629
New Zealand	(NZ $)	2.6865	1.7013	0.9030	1.1926
Nicaragua	(Cordoba)	33632.00	21299.5566	11304.8739	14930.9655
Niger Rep	(CFA Fr)	505.13	319.9050	169.7915	224.2530
Nigeria	(Naira)	11.5887	7.3392	3.8953	5.1448
Norway	(Nor. Krone)	11.0325	6.9870	3.7084	4.8978
Oman	(Rial Omani)	0.6089	0.3856	0.2046	0.2703
Pakistan	(Pak. Rupee)	33.27	21.0702	11.1831	14.7702
Panama	(Balboa)	1.5790	1	0.5307	0.7009
Papua New Guinea	(Kina)	1.3585	0.8603	0.4566	0.6031
Paraguay	(Guarani)	1980.05	1253.9898	665.5630	879.0455
Peru	(Inti)	8723.95	5524.9841	2932.4201	3873.0077
Philippines	(Peso)	33.67	21.3236	11.3176	14.9478
Pitcairn Is	(£ Sterling)	1.00	0.6333	0.3361	0.4439
	(NZ $)	2.6865	1.7013	0.9030	1.1926
Poland	(Zloty)	2893.75	1832.6472	972.6890	1284.6836
Portugal	(Escudo)	253.00	160.2279	85.0420	112.3196
Puerto Rico	(US $)	1.5790	1	0.5307	0.7009
Qatar	(Riyal)	5.7590	3.6472	1.9357	2.5567
Reunion Is. de la	(F/Fr)	10.1025	6.3980	3.3957	4.4850
[illegible]					
Virgin Is-US	(US $)	1.5790	1	0.5307	0.7009
Western Samoa	(Tala)	3.6080	2.2849	1.2127	1.6017
Yemen	(Rial)	15.415	9.7625	5.1815	6.8435
Yemen PDR	(Dinar)	0.5423	0.3434	0.1822	0.2407
Yugoslavia	(Dinar)	60631.00	38398.3533	20380.1680	26917.2031
Zaire Rep	(Zaire)	652.68	413.3502	219.3882	289.7580
Zambia	(Kwacha)	25.40	16.0861	8.5378	11.2763
Zimbabwe	($)	3.52	2.2292	1.1831	1.5627

Special Drawing Rights October 6,1989 United Kingdom £1.26733 United States $1.26636 Germany West D Mark 2.40545 Japan Yen180.203 European Currency Unit Rates October 9,1989 United Kingdom £1.44563 United States $1.09102 Germany West D Mark 2.05842 Japan Yen155.633

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday October 9,1989

INTERNATIONAL CAPITAL MARKETS

US holiday and future Italian issue hit trade

By Andrew Freeman

EUROBOND markets lacked direction yesterday, with the US holiday and extensive preparations for Italy's forthcoming jumbo issue occupying syndicate officials. New-issue activity was patchy, with several targeted deals emerging.

Société Générale became the first bank to take advantage of last week's relaxation of duration restrictions on Euro-French franc deals when it issued a FFr300m deal for Volvo Group Finance.

INTERNATIONAL BONDS

The one-year, dual-currency issue offered investors a 13 per cent coupon and carried a borrower's option to redeem the proceeds in either francs or US dollars.

An official said the distribution of the paper was treated on a private placement basis and that the bid price was around less 1¾. A syndicate of co-lead managers was formed to underwrite the bonds.

A Pta15bn Matador deal for the European Investment Bank was launched by La Caja de Ahorros de Madrid, the first time such a mandate has been won by a savings bank.

There was good demand for the bonds from European investors chasing the attractive yield. The lead manager was quoting the paper inside fees at 99.90 bid, to yield around 11.42 per cent. Proceeds were swapped, but the lead manager would not elaborate.

The Republic of Austria Sch6bn three-year floating-rate deal brought on Friday by Oesterreichische Länderbank, with a Sch4.5bn international tranche co-ordinated by Credit Suisse First Boston, was trading steadily.

The bonds immediately met good demand from investors after the launch on Friday when the deal was increased from Sch4bn, with the international tranche increased from Sch3bn. It marks the first time Austria has borrowed below the Vienna interbank offered rate – the bonds pay Vibor less ⅛ point. Three-month Vibor is currently 8.9 per cent.

It is also the first time such an issue will be traded in London, where the bonds were quoted yesterday at Friday's closing level of 99.81 bid, well inside full underwriting fees of 23 basis points.

In Switzerland yesterday, while there were no new issues, traders reported a consolidation of recently improved sentiment. Prices were a touch firmer in low volumes.

The SFr200m seven-year deal for CNT launched by UBS last week was trading comfortably around less 1 bid, a gain of ⅔ point on the day amid a wider shortage of plain vanilla paper.

The Kanthof SFr129m 6 per cent deal with equity warrants was trading ¼ point above Friday's close in the secondary market at 146¾ bid, against the issue price of 148.

In Germany, prices gained up to ½ point in most recent new issues, helped by follow-through from the US market's performance on Friday.

A planned DM300m four-year equity warrants deal by Westdeutsche Landesbank for Daiwa Danchi, the real estate company, was postponed after the Japanese Ministry of Finance noted that the underlying share price had increased by more than 44 per cent in the last three months, above the 30 per cent limit. The company was also planning a SFr250m convertible Swiss deal.

Elsewhere, late in the day, Fuji International brought a Ecu50m deal for Compagnie Bancaire. The bonds offered a 9⅛ per cent coupon and were priced at 100.20.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
Volvo Group Finance(a)♦	300	13	100⅞	1990	⅛	Societe Generale
SWEDISH KRONOR						
WestLB Finance Curacao(b)♦	300	11¼	101⅞	1994	1⅞/1⅞	WestLB
PESETAS						
EIB(b)♦	15bn	11.40	101⅞	1997	1⅞/1⅞	Caja de Madrid
ECUs						
Compagnie Bancaire(b)♦	50	9⅛	101.20	1992	1⅜/⅞	Fuji Int.
YEN						
Jewel V Ltd.(c)★★♦	25bn	5.6	101⅝	1993	1⅛	Daiwa Europe
CBC Asia(d)♦	2½bn	(d)	101⅛	1993	1⅞/1⅛	New Japan Secs.
Flash Nine Ltd.(e)♦	2,704bn	(e)	(e)	1993	1⅞/1⅛	Sanwa Int.
US DOLLARS						
Formula II Ltd.♦	19	Zero	71.089	1993	1⅞/1	Fuji Int.
Formula III Ltd.♦	18	0	67.726	1993	1⅞/1	Fuji Int.

★★Private placement. ♦Final terms. a) Redemption in US$ or FFrs at FFr6.45 per $, at borrower's option. b) Non-callable. c) Non-callable. Packed by re-packaged Daiwa Secs. ex warrant bonds. d) Variable rate notes. Coupon 5⅞% for three months, thereafter formula linked to Nikkei stock index. Launched in two tranches, one of ¥1bn and ¥1bn. e) Launched in three tranches, ¥1bn variable rate coupon, ranges between 5.175% and 6%. ¥1.5bn variable rate coupon. ¥204m zero coupon priced at 84⅞.

Gilts fall as sterling moves below crucial DM3 level

By Rachel Johnson in London and Janet Bush in New York

UK GOVERNMENT bonds followed the downward flight of sterling on the foreign exchanges yesterday, finishing a point lower after a day of trading dominated by the weakness of the currency.

"Clearly the trigger point was sterling," a trader said. "As sterling came through to DM2.98 the gilts market came

GOVERNMENT BONDS

lower and there was a degree of stability at DM2.97." At these lower levels, the market had a slight rally – to the relief of the market makers who had bought stock at Friday's higher prices. There was some volume of selling in medium-dated, 10-year stocks.

The market is fairly confident that the Chancellor will not raise base rates further, despite the poor performance of the pound on the foreign exchanges. The benchmark Treasury bond due 2003/07 closed almost a point lower to yield 10.16 per cent, while the longer-dated 9 per cent 2008 stock also closed almost a full point down to yield 9.64 per cent.

■ THE YIELD on the Treasury's benchmark long bond fell below 8 per cent yesterday, reflecting belief that the US Federal Reserve had resumed monetary easing.

Trading was very subdued in New York as most banks were closed for the Columbus Day and Yom Kippur holidays and few trading desks were quoting prices. In London Treasury bond trading, the long bond was quoted ⅜ point higher for a yield of 7.99 per cent and short-dated maturities were quoted around ⅛ point up.

Fed funds closed at 8⅞ per cent on Friday. It appears that the Fed initiated an easing move last week which will perhaps take the Fed funds rate target to 8¾ per cent from 9 per cent. The rate dipped on Friday despite a draining operation through five-day matched sales, suggesting strongly that an easing move had begun.

Many commentators had speculated that the Fed would ease policy as part of a Group of Seven agreed package designed to drive down the dollar. Although it was not clear at the end of last week, it is now looking likely that the Fed eased in concert with interest rate rises in Europe.

The dollar held steady yesterday and was quoted at Y142.60 and DM1.8865 in late New York trading. Currency trading in New York was quiet because of the holidays.

The key economic figure this week comes on Friday with the producer prices for September. Forecasters are looking for a rise in the producer prices index of 0.5 per cent.

■ GERMAN Government bonds had sharp mark-ups of 30 to 40 pfennigs at the day's fixings, which dealers attributed to relief that uncertainty over interest rates was over.

The day was dominated by the launch of the DM4bn 10-year Federal bond, which was priced at 100.25 with a 7 per cent coupon. As a result, the bund rapidly gained a quarter of a point.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103.9688	-0.250	11.86	11.71	11.06
	8.750	1/96	94.7500	-0.625	10.72	10.57	10.34
	9.000	10/08	94.4375	-1.000	9.64	9.51	9.41
US TREASURY *	8.000	8/99	99.8125	+0.094	8.03	8.28	8.17
	8.125	8/19	101.3125	+0.188	8.01	8.23	8.10
JAPAN No 111	4.800	6/99	95.7753	+0.029	5.31	5.22	5.32
No 2	5.700	3/07	105.1618	-0.097	5.14	5.10	5.18
GERMANY	6.750	6/99	98.5500	+0.150	6.96	7.04	6.87
FRANCE BTAN	8.000	7/94	95.7616	-0.071	9.11	9.17	8.69
OAT	8.125	5/99	96.2600	+0.160	8.71	8.90	8.45
CANADA *	8.500	10/98	89.9250	+0.025	9.51	9.78	9.50
NETHERLANDS	7.250	7/99	99.2250	+0.048	7.38	7.42	7.15
AUSTRALIA	12.000	7/99	91.2400	+0.051	13.54	13.65	13.03

London closing. *New York market closed; latest available prices. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

Shearson to contract operations in Australia

By Our Financial Staff

SHEARSON LEHMAN Hutton Australia is to drop out of the Australian interbank foreign exchange market and Australian-sourced broking of US equities to concentrate on investment banking and corporate finance.

Although the Australian unit started up in 1987, Mr Ken Allen, the managing director, said intense competition and shrinking profit margins in the two areas had led to a rethinking of strategy. An increase in the number of foreign commercial banks, investment banks and brokerages has exacerbated the competition for business.

The interbank foreign exchange market and Australian-sourced broking areas are "suffering from continuing increased competition and shrinking profit margins," Mr Allen said. "If we really wanted to compete in these areas we'd have to apply a lot more resources."

Shearson Lehman, part of American Express, started business in Australia in 1987. It has been a relatively small player in Australian foreign exchange, with a team of four people. "It's a very competitive and perhaps overbanked market," Mr Allen said.

As Shearson Lehman's investment banking business had been particularly successful, the company had decided to concentrate on that. The refocusing follows a review of Shearson Lehman's worldwide operations, he added.

The company found that investors in US equities were increasingly managing transactions from overseas. "We will service the foreign exchange, US equity and financial futures requirements of our institutional clients from our major locations in New York, Tokyo and London," Mr Allen said.

That "appears to be the most appropriate course of action given the preference of larger institutions to look for advice directly from the offshore capital markets," Mr Allen said.

Of the 20 staff who have lost their jobs, nine will be offered positions elsewhere and the rest redundancy packages.

Reverberations from 1987 crash continue to hit Australian SE

By Chris Sherwell in Sydney

CONTINUING reverberations from the October 1987 crash dealt a further setback to Australia's stock market in the year to June, to judge by figures contained in the latest annual report from the Australian Stock Exchange.

The figures take no account of the rally over the past three months, but reflect the gloom which hung over the market for much of fiscal year 1988-89 – despite a sharp 35.6 per cent increase in net earnings of companies contained in the All Ordinaries index.

Average daily turnovers, measured both by volume and value, slipped below levels seen two years earlier. In volume, the figure was 105m shares, compared with 149m in 1987-88, and 145m in 1986-87. In value, turnover was A$196m, down sharply from A$270m the previous year.

A similar trend was evident with capital raisings. These totalled A$12bn (equity and debt) in 1988-89, compared with A$14.6bn in 1987-88 and A$17.4bn in 1986-87.

New listings, at 73, were the lowest since 1984, while delistings totalled 137, almost double the previous largest figure of 77, recorded last year.

Overall market capitalisation stood at A$209bn for main board equities, down from A$212bn the previous year and a peak of A$225bn recorded in the year to June 1987.

But the market rally of the past three months has since lifted market capitalisation to higher levels – A$240bn in August, and A$236bn in September – and the All Ordinaries index from 1,521 in June to around 1,770-1,775 currently.

This is marginally higher than the June 1987 level of 1,764, but still well short of its September 1987 record of 2,305. Unlike Japan, the US and the UK, Australian share prices have failed to come anywhere near their pre-crash high levels.

A breakdown of movements in particular indices showed that insurance stocks fell furthest over the year to June, by 30 per cent, followed by developers and contractors (down 25 per cent) and gold stocks (down 22 per cent).

The largest gains were shown by solid fuels (up 17 per cent) and transport stocks (up 16.7 per cent). Interestingly, entrepreneurial stocks also rose, by 3.5 per cent.

Malaysia raises minimum required capital for banks

MALAYSIA HAS announced revised minimum capital funds for all local and foreign financial institutions, raising them by 4m ringgit to 10m because of their expansion in operations, Reuter reports from Kuala Lumpur.

Mr Jaffar Hussein, governor of Bank Negara, Malaysia's Central Bank, told reporters that the net working funds of 38 commercial banks in the country would have to be raised to 20m ringgit from the current 10m. Merchant banks would have to increase their net working funds to 10m ringgit from the present 5m, and finance companies to 5m from the current 1m.

Mr Jaffar said all the banks and financial institutions had been told to raise their minimum capital funds.

This he stated at a news conference to announce the enforcement from October 1 of the Banking and Financial Institution Act, which forces foreign banks to incorporate locally.

Mr Jaffar said that Malaysia encouraged large foreign banks to give up their equity control and small ones to merge with Malaysian banks, but would not force them to give up their 100 per cent foreign shareholdings after the incorporation.

He said foreign banks which reduced their holdings to less than 50 per cent would enjoy all the privileges of local banks, such as being allowed to open more branches.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 9 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Oct 6 Index No.	Thu Oct 5 Index No.	Wed Oct 4 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	917.72	-2.5	12.05	4.57	10.16	26.63	940.80	942.48	961.81	813.93
2 Building Materials (29)	1065.22	-3.0	14.57	5.18	8.58	34.89	1098.35	1117.39	1157.22	1031.11
3 Contracting, Construction (37)	1468.98	-2.8	16.63	5.20	7.85	48.87	1512.87	1528.56	1574.96	1619.39
4 Electricals (10)	2649.67	-2.1	10.04	4.57	12.54	68.01	2707.14	2748.49	2801.36	2299.85
5 Electronics (30)	2029.60	-2.0	9.56	3.62	13.50	49.17	2072.86	2069.33	2111.44	1733.66
6 Mechanical Engineering (54)	497.14	-1.9	11.24	4.53	10.82	14.16	506.69	507.72	516.22	422.81
8 Metals and Metal Forming (6)	471.61	-2.4	21.80	6.35	5.66	15.15	483.45	489.45	496.82	493.66
9 Motors (19)	366.45	-3.0	10.03	4.33	11.60	9.97	377.74	375.90	376.21	286.03
10 Other Industrial Materials (23)	1729.35	-2.5	9.56	4.34	12.34	51.87	1773.82	1743.83	1762.78	1376.88
21 CONSUMER GROUP (184)	1279.62	-1.5	8.58	3.44	14.63	25.94	1299.29	1306.18	1326.05	1076.34
22 Brewers and Distillers (23)	1459.11	-1.0	8.96	3.37	13.97	25.76	1474.05	1467.76	1488.95	1121.29
25 Food Manufacturing (20)	1140.68	-1.2	8.97	3.75	14.07	23.41	1154.42	1155.54	1171.88	965.13
26 Food Retailing (14)	2386.49	-1.7	8.53	2.94	15.50	43.08	2428.17	2446.12	2492.53	1875.62
27 Health and Household (14)	2468.05	-1.2	6.27	1.92	18.81	37.80	2497.13	2581.21	2534.21	1941.19
29 Leisure (34)	1665.26	-1.6	7.90	3.46	15.59	35.69	1692.51	1707.73	1731.30	1378.59
31 Packaging & Paper (15)	562.42	-1.6	10.58	4.63	11.79	16.17	571.68	578.62	591.51	545.22
32 Publishing & Printing (18)	3537.93	-2.0	9.01	4.81	14.25	105.37	3611.84	3662.16	3722.09	3356.33
34 Stores (32)	788.67	-2.3	10.88	4.69	11.99	18.56	807.03	819.62	838.99	764.88
35 Textiles (14)	534.65	-2.8	10.61	5.50	11.38	15.67	549.94	559.25	568.02	511.43
40 OTHER GROUPS (93)	1148.52	-1.6	10.22	4.42	11.86	26.58	1166.66	1168.39	1183.65	912.26
41 Agencies (17)	1583.97	-0.1	6.66	2.28	18.51	24.40	1586.19	1559.99	1569.39	1075.45
42 Chemicals (22)	1221.43	-1.6	12.26	5.12	9.61	42.50	1240.78	1253.54	1275.51	1060.92
43 Conglomerates (13)	1602.66	-1.9	10.67	5.10	11.03	29.89	1634.03	1646.85	1661.01	1265.92
45 Transport (13)	2211.55	-2.6	10.09	4.24	12.67	55.79	2270.35	2281.83	2307.78	1938.95
47 Telephone Networks (2)	1105.97	-1.9	10.96	4.47	11.89	22.38	1126.91	1134.69	1152.61	906.55
48 Miscellaneous (26)	1958.76	-0.9	8.90	4.20	12.69	44.44	1976.75	1953.45	1980.17	1231.15
49 INDUSTRIAL GROUP (485)	1164.52	-1.8	9.94	4.01	12.40	27.19	1185.47	1189.38	1208.38	977.69
51 Oil & Gas (15)	2183.47	+0.3	9.92	5.19	13.32	86.84	2177.16	2179.20	2201.75	1742.58
59 500 SHARE INDEX (500)	1250.43	-1.5	9.94	4.17	12.52	32.04	1269.37	1273.16	1292.28	1042.86
61 FINANCIAL GROUP (121)	778.41	-1.4	–	5.36	–	27.17	789.10	792.22	808.90	697.32
62 Banks (9)	783.26	-1.2	22.05	6.38	5.96	35.17	792.79	795.13	802.90	681.07
65 Insurance (Life) (8)	1222.55	-1.0	–	5.18	–	46.88	1234.67	1242.94	1256.86	1019.99
66 Insurance (Composite) (7)	647.31	-0.7	–	5.84	–	24.09	651.63	658.75	669.55	539.47
67 Insurance (Brokers) (7)	1018.31	-1.2	7.41	6.17	17.98	44.55	1030.88	1049.92	1058.38	960.33
68 Merchant Banks (11)	409.54	-1.8	0.69	4.13	161.52	9.70	417.02	417.88	418.11	338.48
69 Property (49)	1247.93	-2.4	7.10	3.25	17.94	20.77	1278.72	1287.90	1312.01	1219.44
70 Other Financial (30)	348.65	-0.9	11.35	6.32	11.49	13.23	351.74	352.17	356.02	365.43
71 Investment Trusts (68)	1234.17	-0.6	–	2.76	–	19.94	1241.50	1249.77	1258.45	929.34
81 Mining Finance (1)	686.47	-0.7	10.90	3.95	10.31	22.25	691.60	694.16	701.86	569.34
91 Overseas Traders (8)	1367.02	-2.0	10.11	5.84	11.35	43.67	1394.99	1408.10	1388.34	1306.34
99 ALL-SHARE INDEX (698)	1136.63	-1.4	–	4.32	–	30.52	1153.22	1156.99	1172.99	956.44

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 6	Oct 5	Oct 4	Oct 5	Oct 2	Year ago
FT-SE 100 SHARE INDEX‡	2247.8	-36.5	2265.2	2242.6	2277.5	2281.6	2312.1	2318.6	2289.2	1844.1

FIXED INTEREST

PRICE INDICES	Mon Oct 9	Day's change %	Fri Oct 6	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	115.84	-0.22	116.14	0.05	9.71
2 5-15 years	130.19	-0.69	131.45	0.35	10.19
3 Over 15 years	139.69	-0.91	141.34	0.36	12.00
4 Irredeemables	162.48	-0.31	162.99	–	8.83
5 All stocks	128.04	-0.56	129.01	0.25	10.36
Index-Linked					
6 Up to 5 years	137.62	-0.42	138.21	–	2.26
7 Over 5 years	136.22	-0.42	136.79	–	2.89
8 All stocks	136.21	-0.42	136.78	–	2.82
9 Debentures & Loans	109.99	-0.70	110.77	–	0.26
10 Preference	87.69	-0.73	88.33	–	4.71

AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 9	Fri Oct 6	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.41	10.29	9.57
2	15 years	9.65	9.59	9.20
3	25 years	9.48	9.44	8.91
4 Medium Coupons	5 years	11.21	11.09	9.96
5	15 years	10.01	9.89	9.40
6	25 years	9.59	9.49	9.06
7 High Coupons	5 years	11.33	11.21	10.05
8	15 years	10.24	10.11	9.56
9	25 years	9.75	9.65	9.14
10 Irredeemables†		9.54	9.50	8.85
Index-Linked				
11 Inflation rate 5%	5yrs.	5.86	3.71	3.17
12 Inflation rate 5%	Over 5 yrs.	3.68	3.65	3.79
13 Inflation rate 10%	5yrs.	3.06	2.91	2.10
14 Inflation rate 10%	Over 5 yrs.	3.51	3.48	3.63
15 Debs & Loans	5 years	13.28	13.18	11.75
16	15 years	12.31	12.21	11.13
17	25 years	11.66	11.57	10.70
18 Preference†		10.54	10.46	10.19

‡Opening Index 2262.8; 10 am 2254.5; 11 am 2251.3; Noon 2253.2; 1 pm 2255.1; 2 pm 2254.9; 3 pm 2251.6; 3.30 pm 2248.9; 4 pm 2244.8 (a) 9.12am (b) 3.48pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
RECLASSIFICATION: Scandanavian Bank has moved from (70) into (68).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	102	1
Corporations, Dominion and Foreign Bonds	3	18	20
Industrials	156	918	522
Financial and Properties	95	333	244
Oils	33	32	29
Plantations	3	1	7
Mines	47	40	86
Others	100	72	88
Totals	438	1,516	997

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

THE SHARP decline on the stock market yesterday sparked off another busy day in options trading, as dealers tried to assess whether equities have further to fall.

Total activity bettered Friday's turnover and amounted to 44,843 contracts, divided between 22,968 calls and 21,875 puts.

Turnover in the FT-SE 100 index option amounted to 14,371 contracts, of which 9,537 were puts and 4,834 were calls.

Dealers said trading in the FT-SE 100 option contract was hectic at times, as the underlying index lost 35 points at one stage. Whenever the stock market attempted to stage a recovery, institutions and market makers took profits by selling puts. The profit-taking flushed out a few aggressive buyers of puts, but the trend of the market remained one of selling rather than buying puts. One dealer said the profit-taking was prompted by a belief that the FT-SE index may consolidate around 2,250.

Among the individual company options, Ferranti was the busiest, as speculation continued as to which of the many interested parties would eventually buy it. The Anglo-French consortium of British Aerospace and Thomson-CSF is still seen as the favourite in the options market, though different US and European companies have also been mentioned as contenders.

In any case, the expectation of a recovery in Ferranti's share price prompted active buying of calls by market makers and institutions. Ferranti traded 3,607 contracts, of which 2,952 were calls and 655 were puts. The November 70 call was the busiest series and traded 680 contracts.

Elsewhere, speculative stocks continued to feature, with United Biscuits trading 1,458 contracts, of which 600 were calls and 858 were puts. The busiest series was the January 360 put, which turned over 500 contracts. British Gas was also active, trading 2,632 contracts, divided between 2,215 calls and 417 puts, with the March 220 call the busiest series, trading 1,151 contracts.

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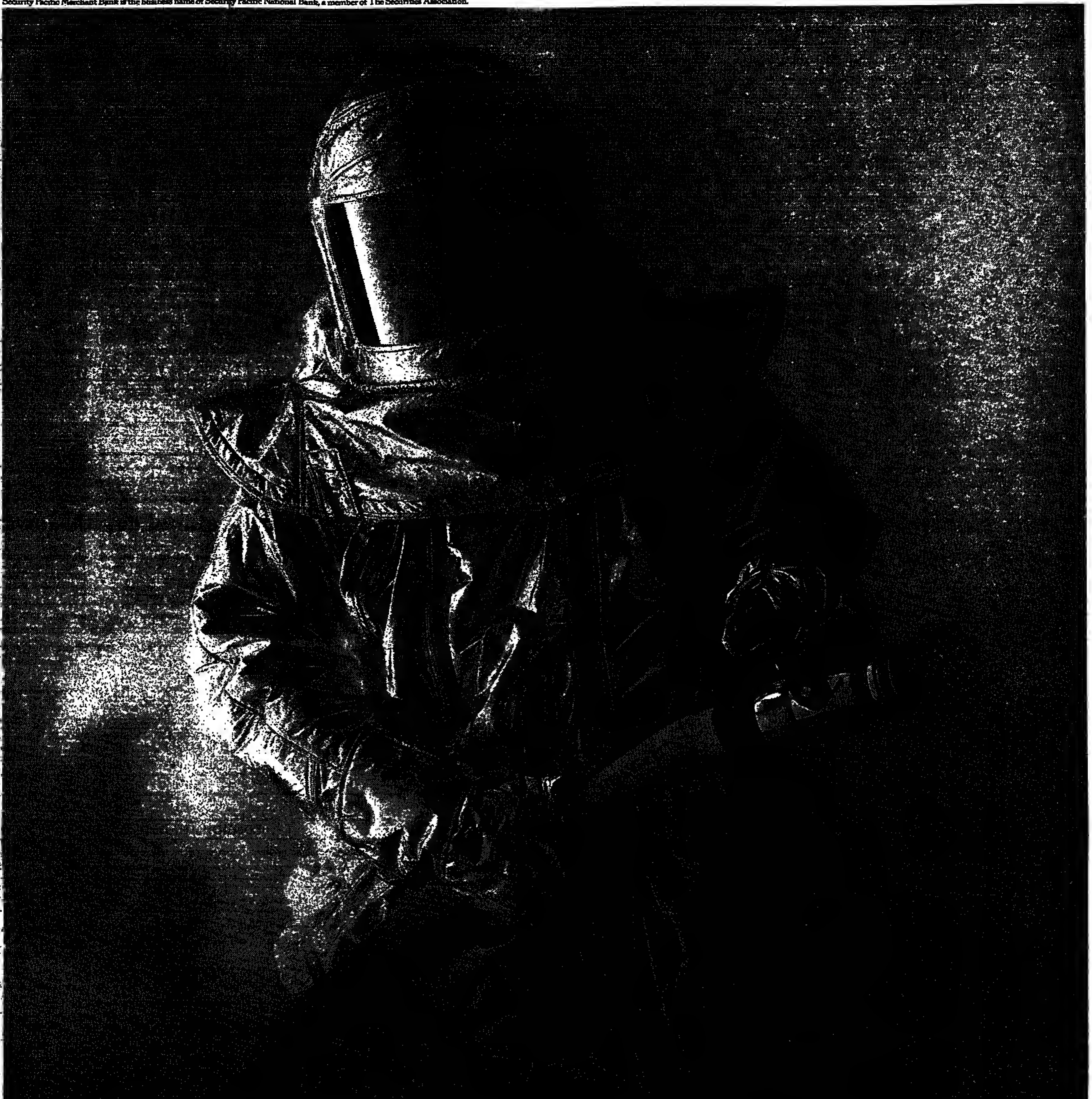

UK COMPANY NEWS

Expected bid could value Sheffield toolmaker at more than £70m

Overseas mystery buyer for James Neill

By Andrew Hill

JAMES NEILL Holdings is expected to announce an agreed deal today which could value the Sheffield toolmaker at more than £70m – a substantial premium to the market price – and take it out of the quoted sector.

The mystery bidder is thought to be a financial group, based overseas but with operations in the UK. It will launch its friendly offer from the platform of a 9.2 per cent stake in Neill, bought yesterday from James Wilkes, the Sheffield manufacturer of beer mats and box machinery.

Dealings in Neill's shares were suspended at 202p pending a further announcement.

Wilkes paid up to 267p a share for its stake in the company. The potential buyer apparently approached Wilkes with an offer which topped that price. A bid at the same level would value Neill at nearly £75m.

Just under two weeks ago, when Neill announced a sharp cut in pre-tax profits for the first half of 1989, Wilkes's chairman, Mr Stephen Hinchliffe said the toolmaker's shares looked expensive at 191p.

Yesterday he said: "We're putting a very large cheque in the bank and we have made a substantial profit for our shareholders."

Neill refused to comment on the impending deal, but it is thought the offer will leave the group's management intact, while sheltering Neill from stock market pressures.

The company, a perennial bid target, owns valuable brands such as Spear & Jackson DIY and garden tools and Eclipse backsaws. But in the first half of this year it was hit by the impact of higher interest rates on sales of its hand and garden tools and only just broke even.

However, Neill said two weeks ago that it hoped to cut £3.75m from annual overheads and improve productivity.

The Neill family controls about 12 per cent of the company, and Triplex Lloyd, the foundries and engineering group, holds a further 1.4 per cent.

Sir Colin Chandler to take key job at Vickers

By David White and Jane Fuller

VICKERS, the engineering, defence equipment and luxury car group, is expected to announce today the appointment of Sir Colin Chandler, formerly head of the Ministry of Defence's export services department, as managing director designate.

Sir Colin, who turned 50 on Saturday, was seconded to the MoD in 1985 from British Aerospace, where he was marketing director. While at the Ministry, BAe agreed to top up his civil service salary.

When Sir Colin might take up the post is dependent on whether a waiver can be obtained from No 10 Downing Street over the customary gap – of, say, six months – between leaving the MoD and joining a defence company.

A spokesman at the Cabinet Office said thet the matter was being considered by the Advisory Committee on Business Appointments, which makes recommendations to the Prime Minister on the terms that should be set when a civil servant transfers to industry.

As head of defence export sales, Sir Colin was a central figure in negotiating Britain's two-stage defence agreement with Saudi Arabia, expected to be worth at least £15bn. BAe is the prime contractor for all the supplies and construction work under the agreement.

Vickers, which has about a quarter of its business in defence and aerospace, clearly hopes that his experience in the Middle East will be brought to bear to exploit markets for battle tanks and armoured vehicles.

The company is engaged in a race against the clock to clinch a £1bn-plus UK tank contract against US and West German competition. It is half way through the 21-month period given it by the UK Ministry of Defence last December to demonstrate the prototype performance of its Challenger 2 tank. The UK contract is considered crucial to its export prospects.

Commenting on the labelling of Sir Colin as a "super salesman", a ministry colleague said that "salesman" was the wrong way to describe him. He had led the export services department during a period of unprecedented success for UK defence exporters.

Sir Colin's future has been a matter of speculation since a successor, Mr Alan Thomas, was named in January to take over the MoD export post in early summer. Sir Colin was at one stage considered a candidate to replace Sir Raymond Lygo, who is retiring as chief executive at British Aerospace at the end of the year. That job is going instead to Mr Dick Evans, up to now head of BAe's defence companies.

Sir Colin began as a commercial apprentice at de Havillan-dAircraft, which became part of BAe. He worked his way up in the commercial and contracts department to become executive director and later took responsibility for the company's successful Harrier jump-jet and Hawk trainer programmes.

Vickers, which is headed by Sir David Plastow, sold its Howson Algraphy printing plate business in May, leaving four divisions: Rolls Royce motor cars; defence and aerospace; medical equipment; and marine engineering.

It has been suggested that Vickers might want to sell one or both of the last two. There has also been speculation that the cash-rich company may be on the look-out for a purchase on the defence and aerospace side; or that it might itself be a takeover target.

Armstrong Equipment rejects Caparo bid as inadequate

By John Ridding

ARMSTRONG EQUIPMENT, the industrial fastener and engineering company, yesterday rejected as "patently inadequate" the £96m bid it is facing from Caparo Group, the private holding company which is headed by Mr Swraj Paul.

In its defence document which was sent to shareholders yesterday, Armstrong said that after adjusting for subsequent movements in the FT All-Share Index, Caparo's offer of 180p per share is worth less than an unsuccessful bid for Armstrong at the end of last year.

Ironically, Caparo Group, which holds a 29.3 per cent stake in Armstrong, helped defeat the bid from Wardle Storeys, the plastic sheeting and survival equipment group.

Mr Roy Watts, Armstrong's chairman, said that in the three years since the arrival of new management the group had been transformed.

He added that "following the sale of the suspension division in May, the company has a very strong balance sheet and is ideally placed to exploit acquisition opportunities."

The company's strategy involves the formation of an international engineering group which would manufacture and supply components rather than commodity engineering products which it says are open to threat from low-cost imports.

Armstrong also dismissed as "ill-informed, unfounded and misleading" allegations from Caparo concerning its accounting practices, asset position and cash position.

It says that a £1.5m charge in its latest accounts which related to the reorganisation of its fastenings divisions was correctly taken as extraordinary rather than exceptional because the costs were outside the normal course of business and are not expected to recur.

Armstrong also claims that Caparo "misunderstood" the basis of comparison of its pro-forma asset position at the time of the sale of its suspension division.

Caparo described the defence document as "shallow" and said that Armstrong has attempted to distract attention from the real issues.

It argues that the continuing operating divisions have "shown little or no growth and declining margins in 1988-89".

Mr Paul, Caparo's chairman, said that "Armstrong's claim to have a coherent strategy is wholly unconvincing and unsupported by their track record."

He argues that in the current uncertain industrial climate "the attractions of our offer of 180p in cash are manifest."

Receivers called as interest rates hit Sharp & Law

By Andrew Hill

HIGH INTEREST rates and the poor retail climate have claimed a victim in Sharp & Law, the USM-quoted shopfitter, which yesterday called in the receivers after its bankers demanded the repayment of outstanding loans.

Dealings in the Bradford company's shares were suspended at 42p last Thursday – coinciding with the latest rise in interest rates and ending several torrid months for the shopfitter. Just before the stock market crash two years ago Sharp's shares stood at a peak of 248p.

The receivers – Mr Michael Moore and Mr Michael Jordan of Cork Gully – will today review the trading situation of the group's subsidiaries and decide whether receivers should be appointed to individual group companies.

Mr Jordan said yesterday that buyers had expressed considerable interest in some of the group's operations which the parent company's receivers would try to sell as going concerns.

Sharp said the following subsidiaries were still trading: Widds Signs; Baxter Fell Northfleet (BFN), which makes retail display systems; the group's French operation S N Giblin Lavault; Wares Electrical & Plumbing Services; Internal Partition Systems (IPS) and Brian Walker Partitions.

Mr Jordan said these were the companies which had attracted the most interest but added that other Sharp subsidiaries continued to trade, pending the receivers' review.

The group's problems began in March, less than a month after the company made its first move into continental Europe, when it was forced to restate its 1987 profits because of "material accounting errors" which also hit 1988 profits.

In July high borrowings – more than three times shareholders' funds at one point – forced the group to issue two profits warnings in quick succession, and invite buyers for BFN, Giblin Lavault and IPS.

Sharp joined the USM in May 1987.

Ferranti warrants linked to damages

By Terry Dodsworth

SHAREHOLDERS in Ferranti International Signal, the crisis ridden defence electronics group, are to be issued warrants entitling them to the receipt of any money recovered from pending legal actions even if the company is taken over in the meantime.

Sir Derek Alun-Jones, chairman, has told institutional shareholders that part of the £185m which Ferranti claims to have lost through a suspected international fraud should be recoverable.

Legal action, he said, is being considered against several organisations involved in this sale of International Signal and Control, the company in which the suspected fraud was discovered, to Ferranti in 1987. These actions however, are expected to take up to five years to conclude.

Sir Derek also indicated that the Ferranti board was opposed to the rescue plan put forward by Hill Samuel, the London merchant bank, and Murray Johnstone, the Scottish fund managers.

Under this scheme Ferranti would be split into two to divide the problem parts of the company from those which have been untouched by the fraud scandal.

The company, however, believes this scheme will be too complicated to organise. Shareholders were told that it would demand a larger refinancing programme than the one the company has already worked out with its banks.

This view on the Hill Samuel proposal coincides with scepticism at the Ministry of Defence, which believes that Ferranti needs the support of a large, well-financed organisation which can give strong leadership.

Sir Derek is expected to make a brief comment on some of these issues at today's annual general meeting.

The meeting, postponed from September, when the fraud crisis first hit Ferranti, is due to be deferred again until next month when the company promises shareholders a more complete picture of its financial state.

Meanwhile, Ferranti's shares came in for another day of heavy trading with continued talk of stake-building from potential bidders for the company. The shares finished ½p up at 59½p, valuing the company at £445m.

TIP Europe claims 'top' spot with 40% advance to £12.7m

By Kevin Brown, Transport Correspondent

TIP EUROPE, the Anglo-Dutch trailer rental company, yesterday reported a 40 per cent increase in pre-tax profits to £12.7m for the 12 months to July 31. Revenue was up 67 per cent to £58m.

Earnings per share increased to 14.1p (13.7p). A recommended final dividend of 3.4p will raise the total by 19 per cent to 5p.

TIP said the improvement reflected strong organic growth and the impact of four acquisitions during the year, all of which had been fully integrated.

Mr Jim Cleary, chairman, said the results confirmed TIP's position as Europe's top trailer rental company, even though its fleet of 18,000 trailers is around the same size as that of Tiphook.

"No one else is making profits on this scale from the business we are in, and our profit before tax of £940 per unit is twice that of any other company," he said.

Mr Cleary said TIP's trailer fleet had grown by 80 per cent during the year, of which two-thirds was due to organic growth. The trailer fleet would continue to grow in line with demand, he said.

TIP was unlikely to make further acquisitions during the year, partly because most of the available target companies had already changed hands. He said TIP had not put in a bid for Trailerent, Europe's third biggest rental company, which has been put up for sale by Barclays Bank for about £40m.

● COMMENT

TIP has made major advances since it was bought by its management from Gelco in 1986, and it is now clear that the company was being held back by its American owner's ignorance of the European market. The UK, where around 15 per cent of trailers are rented, is the biggest single market in Europe, and growth continues to be strong, reflected in a 23 per cent increase in TIP's domestic pre-tax profits. But the real prizes are to be won in the less mature continental market, where rental penetration is only around 5 per cent, and the market is growing by up to 20 per cent a year. TIP, which has dual headquarters in Aylesbury and Amsterdam, is better placed than its competitors to exploit this opportunity, and pre-tax profits from continental operations grew by 56 per cent last year to 56 per cent of the total. This trend is likely to continue as last year's acquisitions work through. The management appears to have decided that the price-tag on Trailerent was too high, but cash is available for fleet replacement without significantly worsening gearing. TIP also benefits from a conservative financing policy under which 81 per cent of its £100m debt is now at fixed rates. In addition, the strong cash flow from European operations has allowed it to switch 46 per cent of debt into loans at lower interest rates in continental currencies. That manoeuvre is likely to be worth at least £1m on the bottom line in the current year. Pre-tax profits should reach £18m, putting the shares on a prospective p/e of 9.7.

Third Market quotation plans at Hartley Baird

By Clay Harris

HARTLEY BAIRD, the electric motors and domestic appliances group which lost its full listing in the 1970s, plans to seek a Third Market quotation next month. No new money will be raised in the introduction.

The company, whose shares are traded on a matched-bargain basis under rule 535 (2), yesterday reported a sharp increase in pre-tax profits to £1.01m (£367,000) for the year.

However, Mr Stephen Kaye, chief executive, said the results were not comparable since Hartley Baird had been almost purely an investment company in 1987-88. Excluding the £294,000 in net interest payments (£68,000 net receipts), operating margins rose from 13 per cent to 14 per cent.

Earnings per share advanced by 66 per cent to 5.17p (3.12p), and a final dividend of 0.5p raises the total to 0.75p (0.5p).

Correction

Guinness

The percentage increase in Guinness's interim pre-tax profits was mis-stated in Friday's report. At £246m, profits were 34 per cent higher than in the first half last year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
ISA Int'l	int	0.36	Nov 30	0.3*	-	0.93*
Savage Group §	fin	2†	Dec 8	2	3.5	3
S&U Stores	int	1.5	Nov 24	1.25	-	4.25
TIP Europe	fin	3.4†	Nov 30	2.8	5	4.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Alexandra Workwear, Allied Insurance Brokers, Atlas Converting Equipment, [illegible], Hyman, [illegible], Le Creuset, London & Manchester, [illegible], MBW Computers.

Finals- BM Group, Britannia Security, [illegible], Lyles (S).

FUTURE DATES

Interims-

Bertolin	Oct. 18
Boosey & Hawkes	Oct. 17
Evans of Leeds	Dec. 5
Hammerson Property	Oct. 23
Headlam	Oct. 12
[illegible]	Oct. 12
Ferguson	Oct. 18
[illegible]	Oct. 12
Polymark International	Oct. 24
[illegible]	Oct. 17
Westerly	Oct. 16
Wilkes	Oct. 18

Finals-

AIM Healthcare	Oct. 11
Prestwick	Oct. 26
St Ives	Oct. 24

Crescent boss poised to become first black African to run a quoted UK company

Crescent Africa plans UG stake to inject £1.53m

By Andrew Bolger

MR KOJO Nyantekyi, a Ghanaian former dentist, is poised to become chairman of United Guarantee, the fuel distribution, heating engineering and energy group, which last year lost £3m.

Mr Nyantekyi, 41, plans to take a large stake in UG through his private family-controlled company, Crescent Africa, which trades between Africa, Europe and the US. If he succeeds, it is thought he will be the first black African businessman to run a quoted British company.

The move has been proposed to provide UG with extra working capital of £1.53m, before expenses. Crescent is to subscribe for 20m new ordinary shares at 5p and existing shareholders will be given the opportunity to subscribe for a further 10.5m of the new shares, on the basis of two new shares for every nine held. UG shares yesterday closed at 8.5p, down 2p.

If all existing UG shareholders subscribe for new shares, Crescent's stake in the company will be 25.7 per cent. However, Crescent is underwriting the offer and if it is required to take the maximum number of shares to which it could become entitled, its holding would amount to 39.2 of the enlarged share capital.

Subject to shareholders' approval, Mr Nyantekyi will become chairman of UG and Mr Peter Delf, a director of Crescent, will be finance director. Mr Peter Stringer, who joined UG in April, will remain as group managing director.

Mr Nyantekyi said he would examine all UG's activities carefully, but he was particularly interested in its UK fuel distribution business and its chemicals side, which distributes Du Pont specialist additives for refinery chemicals.

The deal is conditional on the successful disposal of UG's small tools division to UK Tools, which was agreed on September 29, and on the Takeover Panel waiving any requirement for Crescent to make a general offer.

For the last few months Mr Nyantekyi has been laying siege to Aberfoyle, the overseas trading company with Zimbabwean interests, in which Crescent has a 27 per cent stake.

Mr Nyantekyi said that in spite of the deal with UG, he intended to keep his stake in Aberfoyle and to maintain pressure on the existing management to change direction. Crescent has urged Aberfoyle to bring in outside investors to its Zimbabwe oil plantation at Mwenzi and to diversify outside Zimbabwe.

Crescent made a pre-tax profit of £150,000 in 1988 after a loss of £900,000 the previous year caused by investment losses in 1987's crash.

Alan Harper

Kojo Nyantekyi (left), Crescent chief executive, and Peter Stringer, UG group managing director

Aberfoyle rises 66% to £1.54m

A SUBSTANTIAL improvement in its industrial activities and increased profits on the disposal of investments contributed to higher interim profits for Aberfoyle Holdings.

On turnover up from £3.84m to £4.56m pre-tax profits improved nearly 66 per cent to £1.54m (£929,000).

Mr Ian Coates, chairman, said that the result reflected the achievements of the new management team and the improvement would continue in the second half.

The performance of each of the industrial divisions had improved although the agricultural divisions continued to incur losses. However, changes in the management of Kintyre Estates had brought slow but steady progress. Income from investments was lower, associated with the continuing disposal of the investment portfolio, but results from the property sector had improved, he said.

In 1985 Aberfoyle set up the Mwenezi Development Corporation (MDC), to develop a 12,000-hectare oil palm plantation in the lowveld of Zimbabwe. The Manyuchi Dam, which will provide the irrigation water for the project, was completed in December 1988.

In July this year Aberfoyle made a rights issue to raise £1.07m for investment in the project and to help the company to meet certain sterling commitments arising out of MDC. More active interest on the part of prospective investors was now being generated, Mr Coates said.

After tax of £532,000 (£82,000) and minorities of £387,000 (£315,000), earnings per share came out at 1.39p (1.2p). An extraordinary gain of £103,000 (£15,000 loss) resulted from appreciation of the Zimbabwean dollar against the pound.

Mrs Fields achieves a sharp reduction in losses

MRS FIELDS, the USM-quoted cookie and other speciality foods producer and retailer, reported sharply-reduced losses in the six months to June 30 from $15.08m to $1.31m (£828,000). Last year there was an exceptional $15.4m to cover store closures.

The board said the traditional stronger second half had started well and it was anticipated that cash flow for the full year would exceed the company's capital expenditure requirements and may allow some additional repayment of long term debt.

They said that as an indication of the continuing trading improvement, if current trends were maintained it was the intention of the board to resume dividends with a payment next June.

Turnover in the period, excluding that of an affiliate, was $60.19m ($52.84m); interest was higher at $4.22m ($2.5m) and the net loss per share emerged at $0.01 ($0.10).

New product behind S&U's 38% rise

THE INTRODUCTION of a new credit facility helped S&U Stores increase interim pre-tax profits by 38 per cent. Mr Derek Coombs, chairman, said that its Premier Loan had been well received and was proving attractive.

In the six months to the end of July this Birmingham-based consumer credit, television rental and hosiery manufacturing company reported profits of £1.07m, against £775,000. Turnover rose from £18.15m to £20.48m, an increase of 13 per cent.

Mr Coombs added that the company was continuing to expand its range of services by researching into new markets.

After tax of £375,000 (£272,000) earnings per share were 6.73p (4.64p) or 6.46p (4.47p) fully diluted. The interim dividend is being raised from 1.25p to 1.5p.

Norex US offshoot in black

Norex, the UK shipping and insurance group, reported a return to the black in the year to end-June at Norex America, its US subsidiary.

The profits figure of $13.5m (£8.5m) compares with a loss of $3.9m last time and came from turnover reduced from $59.5m to $55.2m. Earnings per share were $3.07 ($0.93 losses).

Mr Kristian Siem, the chairman, said the results included profits of $1.09m and revenues of $54.6m from the operations of its cruise business, Bermuda Star Line, prior to its sale in May, and a gain of $11.9m on disposal of its assets.

The remaining earnings were from the interest on the company's substantial cash.

FKB to pay maximum $22.5m for US medical consultancy

By Nikki Tait

FKB GROUP, the acquisitive sales promotion and marketing company, is buying a New York-based medical and health-care marketing consultancy, called Audio Visual Medical Marketing, for a maximum of $22.5m (£14.23m).

AVMM, together with its two associate companies - Pharmaceutical Services International and Data Med Communications - specialise in providing marketing support for pharmaceutical products and for new product launches. Clients range from Glaxo to the likes of Ciba Geigy, with the three largest customers - Glaxo, Warner Lambert and Parke Davis - accounting for about 45 per cent of the business.

The company, which was formed in 1978, made a pre-tax profit of $846,000 in 1988 (after adjusting for directors' remuneration), with annual sales running at around $10m. The vendors have warranted that net assets at completion will be at least $1.15m.

The initial consideration is $3.5m, of which $500,000 is being satisfied in FKB shares, which the vendors have agreed to retain for at least 18 months. The remainder comes in loan notes, which are realisable in January 1990.

Additional stage payments may also be made, dependent on average post-tax profits in each of the four years to end-December 1992. The maximum additional consideration would be $18.5m. At the option of FKB, one-fifth of this sum could be satisfied in the FKB shares - again to be retained by the vendors for at least 18 months.

FKB says that the acquisition will take the company into a specialised area, which it would have difficulty developing otherwise.

WB £6m rights and purchases

By John Ridding

WB INDUSTRIES, the Midlands-based manufacturer of springs and presses, yesterday announced the acquisition of two spring manufacturers and a five-for-two rights issue to raise about £5.75m.

The acquisitions are the latest and largest step in the restructuring of the group after it came under new management in April when Mr Graham Avery replaced Mr David Cooper-Smith as chairman. Since then, the capital structure has been rationalised and a number of spring manufacturing companies have been acquired.

WB is buying Elson & Robbins, which supplies spring units to bed manufacturers and makes vehicle seats, and CMT Springs, which makes coiled springs. WB is also taking a 75 per cent stake in Infostock, a company which has entered into a conditional contract to acquire a specialist gearbox business and certain assets of Bus Engineering group.

The combined consideration for the acquisitions is to be satisfied by a payment of about £4.4m in cash and the issue of 2.04m new shares.

In 1988, E&R, which is by far the largest of the acquisitions, achieved pre-tax profits of £964,000 on sales of £15.44m. The fall in profits from £1.85m in 1987 reflected production difficulties following a change in specification of foam raw materials and the costs incurred in the modernisation of its bed spring factories.

The size of E&R, the turnover of which is almost five times larger than that of loss-making WB, means that the acquisition is regarded as a reverse takeover under stock exchange regulations. Shares have been suspended at 75p since September 15 when plans for the acquisitions were announced.

The cash element of the consideration will be met through the rights issue. Shares are priced at a deeply discounted 25p, reflecting the fact that the rights issue is not underwritten.

Mr Avery said that "the acquisitions represent a major step forward by the company under its new management to become a market leader in the spring industry."

Heywood Williams £7.5m acquisition

By Clare Pearson

HEYWOOD WILLIAMS, the glass and aluminium product specialist, is adding to its interests in plastic extrusion with the purchase of Gloucester-based Gloster Plastics for a maximum consideration of £7.5m in cash.

Mr Michael Broadhead, finance director, said Gloplas provided an opportunity to build on Heywood Williams' initial move into plastic extrusion with the purchase of Vinylex Window Systems, also based in Gloucester, in March.

But the main focus of the company's acquisition strategy remained the Continent, he said. Continental and US operations accounted for all Heywood William's growth in profits to £15.31m (£13.1m) in the half-year to end-June.

The initial consideration for Gloplas is £2.81m. An additional consideration is payable up to the equivalent of 2.6 times pre-tax profits in excess of £500,000 per annum for the period from 1st July 1989 to 31st 1991. Gloplas made pre-tax profits of £390,928 on turnover of £3.86m in the eight months to end-June.

Mr Ralph Hinchliffe, Heywood's chairman, warned in August that high interest rates in the UK were reducing demand for the group's products.

UK COMPANY NEWS

As UK sales tumble 190 jobs are shed and stock levels are squeezed to reduce gearing

Savage meets lowered expectations with £7.3m

By Jane Fuller

SAVAGE Group, the USM-quoted DIY and hardware concern, managed to live up to much-reduced expectations by making a profit of £7.29m for the 12 months to June 30. Earnings per share fell from 13.4p to 9.1p.

The pre-tax figure, which is 5 per cent up on last year's £6.96m, is in line with forecasts that were slashed from £11m to £7m after a profits warning in August. The company was hit by the slump in the housing market, by good weather deterring indoor DIY and by rising interest charges.

Turnover rose to £119.96m (£91.95m) in a year which saw an encouraging first full-year contribution from Groupe Triplex, in France, and six further acquisitions in the UK, West Germany, France, the Netherlands and Belgium.

Although Savage's continental moves have taken the percentage of sales anchored to the UK from more than 70 per cent three years ago to less than 50 per cent now, the profits blow came firmly and suddenly in the UK. "Trading in the final quarter, which is normally our best, was particularly disappointing," said Mr David Stephens, finance director.

"The most directly hit were the DIY multiples and the subsidiaries of ours which sell to them." People spent more on home improvements after they moved house, he said, and the mortgage rate rises had put the brake on that.

To keep the company profitable on lower sales volumes, the cost-cutting had included shedding 190 of the 1,000-strong workforce, reducing the promotions budget and putting the squeeze on stock levels, but the main effect filtered through after the year end.

The last measure in particular would help to reduce gearing from its level of 90 per cent in June, said Mr Stephens. Interest payments of £2.38m (£883,000) were more than four times covered by profits before interest and tax.

Mr Stephens said it was not long since the fast growing group had operated profitably at significantly lower levels of turnover, so it would not be a big problem to wind back to those levels.

● **COMMENT**

The tumbling profit forecasts speak volumes for the difficulties faced by Savage. For the current year, a figure of £14.4m was being forecast as late as July; then the August warning sparked a typical adjustment of from £12m to £9m. And the rethink goes on: a profit of £8½m would give a prospective multiple of 9.3. It all goes to show that having a good market share is no fun when that market is in the doldrums. UK sales are expected to be about 10 per cent down this year. The company's case is that its £1.3m reduction in overheads, worth an annualised £3.5m, demonstrates that it can manage recession as well as growth. It also expects to improve margins in France, where 35 per cent of its business lies. A less charitable view is that, with the company suffering both directly and indirectly from high interest rates, profits for this year might be only £7.5m. The shares slipped from 98p to 93p yesterday.

Sunleigh sports clothes buy

By Clare Pearson

SUNLEIGH is deepening its involvement in sports clothing and accessories through the purchase of Associated Supplies, a supplier of crested leisure wear, for a maximum consideration of £3.2m.

USM-quoted Sunleigh's other interests are in electrical and electronics manufacture. Its product Powa Kaddy, an automated golfer's caddie machine, provided an opening for its move into sportswear.

Mr Tony Merryweather, chairman, said Associated Supplies' products would complement the Aquatique all-weather clothing range launched by the Powa Kaddy subsidiary at this year's Open Golfing Championship in July.

Initial consideration for Associated Supplies is £1.3m to be satisfied by a vendor placing of 1.97m new ordinary shares. The deferred payment, to be made in shares, depends on profits up to end-December 1991.

Associated Supplies has warranted profits after 35 per cent tax of not less than £192,000 for the year to end-December. Warranted net assets are not less than £250,000. The vendors, Mr and Mrs R Flower, are joining Sunleigh.

Mr Merryweather said Sunleigh, which announced pre-tax profits of £1.41m (£1.04m) on sales of £11.5m (£9.1m) for the half-year to July 1, was still keen to make further acquisitions. But in the current state of the stock market it ruled out the kind of very big purchase which he said earlier in the year the company was seeking.

Babcock International has said it intends to maintain its stake in Sunleigh at not less than 20 per cent, Mr Merryweather added.

SHARE STAKES

The following changes in company share stakes announced recently include:

Adwest Group: J Saville Gordon (Commodities) and JD Saville, its director, together hold 3.43m ordinary (5.38 per cent).

Aitken Hume International: Fiduciary Management Services has increased its holding to 4.54m ordinary (9.24 per cent) with the purchase of 390,000.

Armstrong Equipment: JH Fenner has lifted its holding to 2.91m (5.46 per cent) with the acquisition of 50,000 ordinary at 186p each.

Baldwin: Satyendra Singh has acquired 133,989 ordinary to bring his holding to 1.01m (6.27 per cent).

British Mohair: Lawrie Group has increased its holding to 3.61m ordinary (27.19 per cent) with the acquisition of 45,000.

BSG International: Sir Ron Brierley holds, through IEP Securities, a subsidiary of Industrial Equity (Pacific), 25.46m ordinary (12.57 per cent).

Builder Group: EMAP has acquired a further 200,000 ordinary, bringing its notifiable interest to 1.7m (10.33 per cent).

Casket: York Trust has acquired, on behalf of other parties, 285,000 ordinary to lift its total to 6.86m (18.2 per cent).

Charterhall: Wyncon, a subsidiary of Westmex, has raised its holding to 277.91m ordinary (56.59 per cent) with the purchase of 3.45m.

Clarke Nickolls & Coombs: Channel Hotels & Properties and Lloyds Bank (in its capacity as nominee) have increased their interest to 2.48m (11.98 per cent) from 2.08m (10 per cent).

Colorvision: Edinburgh Fund Managers has bought 515,000 ordinary from three directors for 138p per share. Mr Neville Michaelson has sold 200,000, reducing his holding to 9.78m (48.67 per cent), Mr Bernard Michaelson has sold 294,000, reducing his holding to 4.08m (20.32 per cent), and Mr Nigel Elton has sold 20,700, reducing his holding to 610,740 (3.04 per cent).

Daks Simpson: Mrs SM Diamond has reduced her holding to 77,000 (7 per cent) with the disposal of 1,000 shares at £18.30 per share.

Dalgety: Carisbrook Holdings (UK) has transferred 12.2m (5.5 per cent) shares to Como International. Como is 50 per cent owned by Carisbrook and 50 per cent by subsidiaries of Société Nationale Elf Aquitaine. Carisbrook's ultimate owner is Mr Robert Holmes à Court.

Delaney Group: Mr NR Puri, chairman of Melton Medes and non-executive director of Delaney, has sold 40,000 ordinary at 70p per share. Melton Medes' interest continues to be 29.62 per cent.

EIS Group: M&G Group has increased its holding to 2.09m ordinary (7.4 per cent).

Five Oaks Investments: Govett Strategic Investment Trust has lifted it holding to 11.45m ordinary (24.3 per cent) with the purchase of 204,371. London Securities has bought 3.46m, bringing its holding to 6.41m (13.59 per cent).

Vantage Value Investments: John Govett, acting on behalf of clients under its discretionary investment management, has an interest in 6.51m ordinary (13.09 per cent). The shares are held on behalf of its clients as follows: Govett Strategic (West Nominees) Investment Trust 5m (10.06 per cent) and Dalgety Pension (West Nominees) Fund 1.51m (3.03 per cent).

Geest: Mr LW van Geest, a director, has sold 320,000 ordinary at 287p per share.

Hambro Countrywide: Hambros has acquired 14.82m at 38p per share, bringing its holding to 168.55m (51.63 per cent). Guardian Royal Exchange has also acquired 14.82m at the same price, lifting its holding to 70.27m (21.52 per cent).

Hanover Druce: SA Goldstein has acquired 25,000 shares at 120p, raising the total holding to 433,035 (7.08 per cent).

International Communication and Data: Mr DZ Unger, a director, has disposed of 75,000 ordinary leaving his holding at 812,153 shares (4.89 per cent).

Lee (Arthur) & Sons: GMF (Investments) is now interested in 4.38m ordinary (13.34 per cent).

Medminster: Robert Fleming & Co has bought 766,960 ordinary (9.99 per cent). Also Mr HR Moczkowitz has increased his holding to 775,000 shares (10.09 per cent).

Molynx Holdings: E Walters, a director, has acquired 6,000 ordinary at 128p per share, bringing the holding to 407,000 (5.26 per cent).

MS International: MS International Pension Fund has increased its holding of MS International ordinary shares from 7.99 per cent to 8.08 per cent.

Normans Group: PS Allen has acquired 10,000 5 per cent cumulative preference shares, raising the total holding to 32,980 (31.4 per cent).

Personal Assets Trust: Mr JG Gammell, chairman, has bought 5,000 ordinary, lifting his holding to 6.33 per cent.

PML Group: Mr Joseph C Lewis has acquired 141,900 ordinary bringing his total holding to 8,912,600 (20.26 per cent).

US link in automotive fabrics for Parkland

By Alice Rawsthorn

PARKLAND TEXTILE, the Yorkshire wool textile company, is joining forces with Guilford Mills, one of the largest US textile groups, to diversify into the automotive fabrics market.

The two companies plan to manufacture woven fabrics for use in the car industry at Parkland's Park Valley Mills plant in Huddersfield. Parkland and Guilford have formed a joint venture to re-equip and adapt the existing production facilities for the automotive market.

The new business will concentrate on producing fabric for upholstery, door panels and headlinings. It is expected to generate turnover of around £10m within four years.

Parkland, which is one of the larger Yorkshire weavers, sees the joint venture as a way of broadening the base of its business by moving into a new market which will be counter-cyclical to its traditional textile interests. At present the climate in traditional textiles is intensely competitive. The new venture will also fit with its yarn dyeing business, which is already in the automotive market.

Guilford Mills is a leading player in the international market for automotive and apparel warp knitting through its interests in the US and Europe. Guilford's European subsidiary supplies warp knitted automotive fabrics from its plants in the Midlands and East Anglia.

ISA Intl rises 38% to £1.45m

ISA International, the distributor of branded consumables for information processing equipment, hoisted pre-tax profits for the six months to June 30 by 38 per cent from £1.05m to £1.45m. This was achieved on turnover up 57 per cent from £11.53m to £18.1m.

The results included the contribution from Edinburgh-based Computer Supplies, acquired in September 1988. Mr John Parkinson, ISA chairman, said that if that contribution was stripped out, the increase in both profits and turnover would have been 34 per cent. The interim dividend is lifted to 0.36p (0.3p).

Transformed Cluff achieves nine times profits jump

By Kenneth Gooding, Mining Correspondent

CLUFF RESOURCES, the USM-quoted concern which has been transformed from a loss-making minor oil company into a profitable medium-sized gold mining group, increased taxable profit by more than nine times in the half-year to June 30, from £84,000 to £790,000.

"Profit for the full year should be significantly above that of 1988," said Mr JG "Algy" Cluff, chairman.

He revealed that the group was on course to produce 70,000 troy ounces of gold this year compared with 23,200 ounces for the whole of 1988 and 29,224 in the first half of the current year.

Mr Cluff added that there was a good prospect of Cluff paying the first dividend in its 16-year history – but a final decision would depend on whether the gold bullion price weakened substantially and/or whether there were any serious interruptions to its gold output.

The company would prefer to spend its money on dividends rather than paying for a full London Stock Exchange quotation although, inevitably, at some time in the future it would go for a full flotation, he added.

Mr Cluff said that the company's "responsible objective" was to have established within 18 months that it had the resources to produce 200,000 ounces of gold a year.

During the first half Cluff received £225 an ounce for its gold, equivalent to US$377. Production costs were $252 an ounce and Mr Mark Ashley, finance director, said the cost would fall to $240 when output reached an annual rate of 70,000 ounces.

Most of Cluff's gold is produced in Zimbabwe and must be sold to the reserve bank. However, Zimbabwe has set up a Z$15m fund and promised to provide a Z$700 an ounce (about $320) floor price for gold mined in the country.

Turnover rose from £1.88m to £6.8m in the half-year. The operating profit was £1.02m (£120,000 loss) and the net profit, up from £61,000 to £520,000, represented 1.12p a share (0.13p).

Output in Zimbabwe was reduced by heavier-than-expected rains in January and a short stoppage caused by an abnormal breakdown of two transformers at Bindura in June.

Algy Cluff: money on dividends rather than full listing

Mr Cluff said the Royal Family mine at Filebusi, Zimbabwe, exceeded its production target by 12.5 per cent. But he repeated his warning that the mine, which produces 6,000 ounces of gold a year, was likely to close next spring although exploration work was attempting to find new gold reserves.

Engineering studies showed that 681,000 ounces of the 1m ounces in the reserves of the Freda/Rebecca mine in Zimbabwe could be recovered by open-pit mining.

The contribution of the Transaccion mine in Spain, a joint venture with the Antofagasta group, will be only "modest" this year because of various start-up problems and Cluff's share will be only about 5,000 ounces next year.

"We spent a great deal of time for little return so far," Mr Cluff admitted. "But it is good to have a production base in Europe and we hope to expand in Spain."

However, most of Cluff's energies outside Zimbabwe would be concentrated on Ghana where exploration drilling had produced "very encouraging" results.

Cluff has decided against floating separately its wholly-owned oil and gas subsidiary because the offshoot did not need the cash and the process would divert management attention, said Mr Cluff.

FINANCIAL TIMES SURVEY

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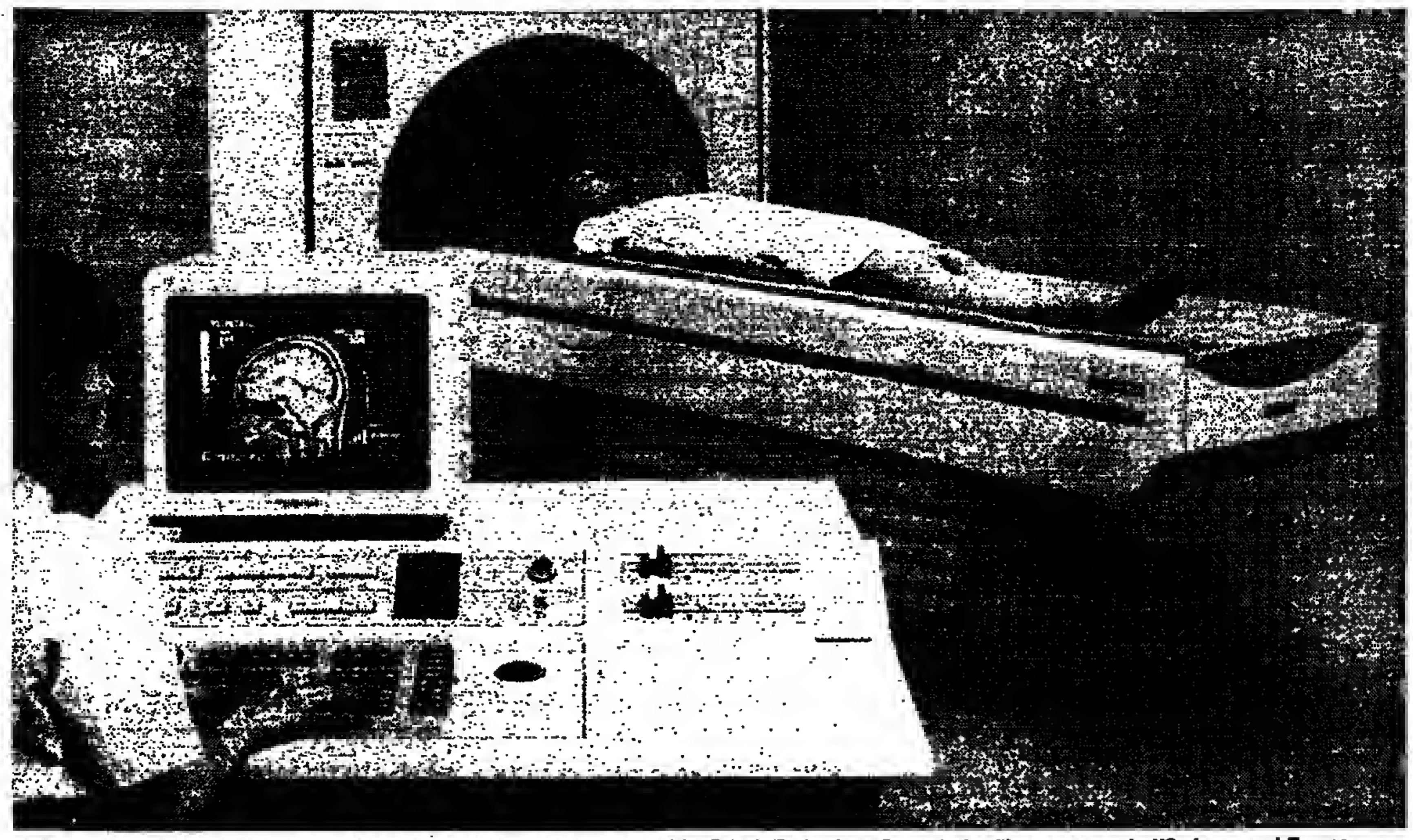
The exchange of ideas is nothing new, but industrialists, politicians and scientists throughout the world are attaching greater importance to research and development. Technology transfer, reports Clive Cookson, is now the buzz phrase of economic policy

Spreading the word on ideas



Breakthrough in medical diagnosis: Magnetic Resonance Imaging, licensed by British Technology Group to healthcare groups in US, Japan and Europe

Technology Transfer

PEOPLE HAVE been transferring technology ever since the first stone age tribes exchanged ideas for making flint implements. But only in the 1980s has technology transfer been generally recognised as an important activity for stimulating economic growth.

Technology transfer is now a buzz phrase of industrial policy. Governments worldwide are changing their support for industrial research and development in a way that requires companies to work with other companies or with university partners in collaborative projects designed to facilitate technology transfer.

Besides these collaborative research programmes, governments are encouraging technology transfer directly through programmes to disseminate scientific and technical information and to put companies in touch with sources of innovation. In the UK, the Department of Trade and Industry spent £92m in 1988/89 and expects to spend £124m in 1989/90 on technology transfer activities.

Companies are doing more to seek out technology that might be worth exploiting. They are looking in universities and research institutions and in other companies, large and small, at home and abroad.

Many large companies have a clearly defined technology transfer unit, whose mission is to bring in ideas from outside and/or to find partners to help exploit in-house developments.

One example is Project Extra, run by GKN, the UK engineering group, in Europe and the US. The Project Extra team works to seek out and support the development, production and marketing of automotive components originated by third parties. During the three years it has been in existence, Project Extra has examined hundreds of proposals from individual inventors and companies, and several are close to being manufactured and marketed by GKN.

"Project Extra is meticulous in advising inventors on the importance of patent applications when negotiating with a large company such as GKN," the company says.

The increasing importance of technology transfer to government and industry is stimulating the growth of independent technology brokers, who make a living as intermediaries between sellers and users of technology. They range from individual technology transfer agents to the state-owned British Technology Group (BTG), which was formed out in 1981 through the amalgamation of the National Enterprise Board and the National Research and Development Corporation and claims to be the largest technology transfer organisation in the world, with more than 2,700 licensing agreements to its credit.

Most brokers still concentrate on the limited role of arranging a licensing agreement between the originator of the technology and the company exploiting the work. But there is a growing trend for technology transfer companies to play a much wider role — helping with market research, business planning and fund-raising.

Some technology transfer companies result from initiatives to commercialise research carried out in large government agencies. A striking UK example is Defence Technology Enterprises (DTE), set up four years ago through a joint initiative hy the Ministry of Defence and a consortium of venture capital companies.

More than half of all UK government R&D spending is for defence, and some science policy analysts argue that most of this is, in commercial terms, wasted. Indeed it has been claimed that the UK's high spending on defence research compared to other countries has starved civil R&D of funds and is partly responsible for the country's poor industrial performance since the war.

DTE is intended to counter snch criticism by identifying developments in MoD research establishments which could have civil applications, and then helping to commercialise them. The record so far is encouraging. DTE already has 50 licensing deals to its credit and several of the resulting prodncts are being marketed internstionally. DTE expects sales of its spin-off products to reach "many hundreds of millions of pounds" over the next decade.

Drawing on its experience with the MoD, DTE is moving on to commercialise technology from other sources, including non-military government laboratories and large companies such as British Aerospace.

Another big new player in the technology transfer market is AEA Technology, the commercial arm of the UK Atomic Energy Authority. Its mission is to apply outside the nuclear industry the very wide range of technological expertise which the AEA has acquired as the body responsible for developing nuclear power in the UK.

With government spending on nuclear R&D expected to fall over the next few years, AEA Technology is an ambitious attempt to fill the gap by bringing in millions of pounds a year from industry. Its activities span aerospace, defence, oil and gas, manufacturing, process industries, environmental services — and even biotechnology.

Yet AEA Technology is not primarily a technology transfer business in the same way as BTG or DTE. Its main mission is not to license companies to commercialise the results of AEA research but to sell the AEA's services in contract R&D, engineering, technical services and consultancy.

Thns AEA Technology has more in common with the UK's thriving independent research and technology organisations. The 45 research and technology organisations that belong to the Association of Independent Research and Technology Organisations (AIRTO) have a total turnover of £278m and staff of 9,300.

Ten years ago, such organisations were rather moribund industrial research associations, dependent on government contracts and on income from memher companies collaboratively sponsoring research in a particular industrial field. Today they are far more responsive to the needs of the market, and depend on specific industrial contracts for research, development and consultancy.

These organisations have become more commercially oriented, controlled by boards of directors rather than councils of members. And they have dropped their old-fashioned names in favour of snappy acronyms; there is no quicker way to irritate one of the new breed of managers at, say, Pera or Sira than to refer to the Production Engineering Research Association or the Scientific Instrument Research Association.

The new-style research and technology organisations have far more technology transfer activities than the old research associations. They are increasingly organising joint ventures and collaborative projects, both in the UK and in Europe, making use of the growing array of EC research programmes. They are playing an important role too in transferring technology between different industries.

The higher education sector is also taking a far more active role than 10 years ago in transferring the results of academic research into industry. This is partly because of the growing financial pressure from the Government for universities and polytechnics to find alternative sources of income. In the process, higher education institutions have formed a large variety of new links with industry.

Almost every UK university and polytechnic now has an industrial liaison unit designed to promote technology transfer. However US universities have gone much further in this direction. As a recent report by the National Economic Development Council points out, Massachusetts Institute of Technology employs more industrial liaison officers than the entire number in British universities.

University companies are emerging as an important transfer mechanism and some universities have shareholdings in several companies, ranging from 100 per cent down to small minority stakes. Last week for example, Isis Innovation, Oxford University's wholly owned technology transfer company, launched its first spin-off venture, Oxford Molecular.

Oxford Molecular's business will be to market computer graphics software for molecular modelling to science-based companies developing new pharmaceutical and agricultural chemicals.

Initial sales will come from exclusive licenses on modelling programs developed at Oxford over the past 20 years. Several UK and US venture capital funds are investing in Oxford Molecular, but the university keeps a 30 per cent equity stake in exchange for its intellectual property.

University College, London, is launching its new company UCLi at New Techmart '89, the showcase for innovation, inventions and technology transfer, which is on at the National Exhibition Centre, Birmingham, until Thursday.

Clive Cookson on Whitehall's change in attitude

Collaboration is the name of the game

THE ATTITUDE of governments to technology transfer has changed radically over ths last decade or so.

Governments have not only set up a host of programmes specifically to encourage technology transfer but also, and more significantly, they have overhauled ths structure of support for industrial research and development in a way that forces companies and institutions to work together on R&D projects. Technology transfer inevitably takes place between the partners collaborating on a project.

The UK Government is a good example of this new approach. The Department of Trads and Industry nsed to have a substantial budget for promoting R&D projects within single companies. But these programmes have been phased ont during the 1980s. It is now virtually impossihls for any company to obtain DTI funds for industrial research without collaborating with a university and/or another company.

The Alvey programme for collaborative research on advanced information technology. launchsd in 1983 and wound up last year, led the way. The largest UK programme for university/industry research is Link, which covers a very wide range of R&D projects.

The DTI also runs several programmes that are intended

The largest UK programme for university/industry research is Link

to support technology transfer more directly. These include:

- Four specific programmes designed to spread information about advanced information technology, open systems, advanced electronics and materials. These are intended to increase the awareness of the latest technological developments in these fields, through a mixture of: brochures and videos; workshops, seminars and conferences; case studies; advice from centres of expertise; and demonstration projects where users can practical exampies in action.
- A network of 14 regional technology centres, involving universities, polytechnics and colleges working with local companies to: collect information about new technologies; disseminate knowledge to potential users in business and education; provide advice and consultancy services; and provide training and re-training for companies introducing technology.

The longest established RTC is the north west technology centre, known as Nimtech. Established three years ago in Skelmersdale, Lancashire, it is a thriving network with more than 100 members, ranging from multinationals and universities to small companies with only a handful of employees. The heart of Nimtech is a computerised directory of the technology available from or sought by member organisations, and there is a group of technology transfer managers to help forge technological links between them.

- The Teaching Company scheme, managed by the Science and Engineering Research Council. This aims to transfer technology between universities and companies and train postgraduate students for careers in industry. Each student spends two years working on a specific project in a company. About 300 companies are involved and the aim is to expand it to 500 by bringing in smaller companies.
- Research clnbs. DTI supports more than 100 research consortia which bring together companies with common interests in particular technical areas. Some conduct collaborative research programmes while many spread information and promote technology transfer. The four DTI research establishments (Laboratory of the Government Chemist, National Engineering Laboratory, National Physical Laboratory and Warren Springs Laboratory) play a leading role in organising these clubs.
- Transferring technology from overseas. A recent report from the National Economic Development Office on technology transfer mechanisms points out the "disturbing" fact that the UK has a "positive balance of trade" in international know-how exchanges. It gains more money from licensing British technology overseas than it spends importing technology, this is in marked contrast to Japan which has a large negative balance.

Although the UK maintains scientific counsellors at several embassies overseas and gathers technical information from commercial/economic posts elsewhere, the NEDO report says: "In comparison to the vigorous efforts of the Japanese, the British commitment to technology importation is hardly impressive."

The DTI tries to disseminate the information that reaches Whitehall from British embassies as widely as possible. The main vehicle is the Overseas Technical Information Service (OTIS), operated for DTI by PERA, the indepsndent research organisation based at Melton Mowbray, Leicestershire. OTIS subscribers receive regular summaries of incoming data relevant to their fields of interest. They have access to the OTIS database by computer.

The Government's industrial policies have to mesh in with those of the European Commnnity. By their nature, all EC programmes which support R&D involve participants from several member countries and international technology transfer inevitably takes place.

In addition, like the UK and other national governments, the EC runs programmes specifically intended to promote technology transfer. The most important is the Strategic Programme for Innovation and Technology Transfer, known as Sprint. This has just completed a five-year pilot programme and is beginning its main phase with 90m ECU (about £60m) funding over the next five years.

Sprint's main objective is to "build a Community-wide infrastructure for snpporting innovation in European companies." It has set up about 50 transnational technology transfer networks involving 150 agencies, small and large, pnblic and private. In tha next phase it aims to fund a number of larger projects to demonstrate technology transfer in specific fields.

Sprint has helped to establish a European association of technology transfer specialists, TII (standing for Technology, Innovation, Information), based in Luxembourg. TII is organising a large international conference on technology transfer in Nice on October 26/27.

Technology Transfer Mechanisms in the UK & Leading Competitor Nations, NEDO, Millbank Tower, London SW1P 4QX, £50

National Physical Laboratory, one of four DTI research centres

There is much commercial activity in academia

Little time for play in the science parks

EXPECT A quickening in the pace of technology transfer activities in Britain's universities and polytechnics over the next few years, as higher education sets out to raise more finance from the private sector.

The changed climate in higher education in the 1980s has prodded most universities and polytechnics to become more professional in their relations with business over the past few years.

Government Ministers never tire of exhorting the country's higher education institutions to forge closer links with industry. Research programmes such as the Alvey work in information technology were constructed with the express purpose of encouraging closer collaboration between academia and business.

In 1982, there were just two science parks: at Cambridge and Edinburgh

The Government has underpinned these exhortations by squeezing its flow of cash to the colleges and, equally important, making it clear that the country's academics will have to look to the private sector to fund the bulk of any expansion in their sector.

The result has been an upsurge in commercially oriented activity in academia. Universities and polytechnics have developed their industrial links in somewhat different ways, drawing on their own strengths and traditions, but a number of broad trends can be discerned.

Perhaps the most visible is the science park movement. In 1982, there were just two science parks: at Cambridge and Edinburgh's Heriot-Watt University. Cambridge still boasts the best known and easily the largest of Britain's science parks, but in the mid-1980s many other universities followed its lead. By last year, the 38 parks which were up and running had generated 10,540 jobs and had drawn in £171m in investment.

The science parks have acted as a focus for genuine high tech companies, with electronics and chemical/pharmaceutical concerns providing the majority of the 807 companies housed on their usually elegantly landscaped sites.

Yet the new wave of science parks may not meet all the hopes of their academic sponsors, once the winners sort themselves out from the also-rans. As Mr David Rowe of Warwick University's science park puts it: "Universities who look upon the prospect of a science park as merely a captive local group of companies from whom they can gain lucrative research and development contracts are in for a disappointment."

A lot of hard work has been put into building up Warwick's park. Mr Kumar Bhattacharyya, the university's entrepreneurial professor of manufacturing systems engineering, realised that many high tech

GROWTH IN UK SCIENCE PARKS

	1985	1986	1987	1988
Operating	21	28	33	38
Under Construction	6	7	3	1
Planned	12	9	10	16

Source: UK Science Park Association

companies were not represented in the university's immediate geographical locality. So he went out and sold the park, managing to persuade several big names, such as Prime Computer of the US, to take space in the park.

Many universities have overhauled their administrative structures to give sharper focus to their technology transfer efforts.

One of the most striking examples is the announcement this month that Imperial College, London is to appoint a managing director, the first such appointment by a leading UK university institution. One of the main tasks in this new position for Mr Angus Fraser, a former director of Chloride, the batteries group, will be to build up Imperial's income from the private sector.

Similarly, University College, London is sharpening its commercial focus under the leadership of its new provost, Mr Derek Roberts, formerly technical director of the General Electric Company. In September, Mr Roberts announced the formation of a wholly owned subsidiary of the college, UCLi, to be responsible for all its research contracts, patents and short professional courses.

For most colleges, the first step in this administrative overhaul came earlier in the decade when they tightened up on their handling of the patents that flow from their academics' discoveries. Some university heads admit they lost income running into millions of pounds thanks to sloppy patent administration.

The decision, in 1985, to strip the British Technology Group of its right to exploit commercial inventions arising out of research funded by the UK research councils gave higher education an extra spur to exploit their research aggressively.

Throughout the British higher education scene, there are dozens of examples of spin-off companies, joint ventures and innovative research contracts with business.

Some of these are of a size that are significant by any standards. Two years ago, for instance, E R Squibb, the large US pharmaceuticals group, awarded Oxford University a seven-year £20m grant, consisting of £6.4m for a new pharmacology department, £3.2m towards the department's running costs and £10.4m for research projects.

The unusual feature of the Squibb-Oxford collaboration is that the university's pharmacology department has agreed to submit, at its discretion, projects to Squibb in five areas: degenerative diseases of the central nervous system, epilepsy, psychosis, control of blood pressure and the peripheral autonomic nervous system. Squibb has exclusive rights to the results of those research projects which it chooses to fund from those submitted by Oxford.

By last year, the 38 parks which were up and running had generated 10,540 jobs and had drawn in £171m of investment

Oxford's wide-ranging agreement with Squibb is not the general pattern. Most technology transfer from the universities takes the form of one-off commissions pursued by individual groups of researchers in closely-defined areas.

The industrial liaison office at Manchester University's Institute of Science and Technology, one of the best generators, in terms of percentage share of income from industry to a university, can reel off a dozen industrial projects on which its academics are engaged.

One example is Umist's Corrosion and Protection Centre Industrial Services (CAPCIS). It was launched as a one-person unit in 1973 and now employs 50 full-time workers. It boasts a long list of blue chip clients for its anti-corrosion services in industries ranging from North Sea oil to electronic chip manufacturers.

The day may soon be dawning when the old truism that Britain is good at inventing, but not at exploiting its discoveries, can be laid to rest.

David Thomas

LICENSING AND PATENTS

The protection of innovation

WITH A novel idea, the simplest and cheapest course of action is to do nothing about legal protection – either keep the idea secret for as long as possible or regard the idea as public property. Either way, no third party will pay royalties on an unprotected invention, so the inventor cannot hope for any financial reward. Worse still, someone else may apply for legal protection and obstruct the true inventor's progress.

Patenting is only one of several ways to protect innovation, hut the other forms of protection, such as registered trade mark, design or copyright, will often not be available or be of limited value.

A patent covers any idea which can be applied to industry, for instance a process for making something, a product made or a way of using it. The idea must be new and not an obvious extension of what is already known. A patent lasts for up to 20 years in the UK and Europe, but heavy annual renewal fees must be paid to keep it in force.

In the US, patents last for 17 years with renewal fees payable every four years on patents filed after 1980. There are two vital differences between the Europe and US.

First, in the UK and Europe, a patent is invalid if the inventor has published the novel information before filing, whereas in the US there are provisions which sometimes allow inventors to talk first and file later. The safest course of action is for inventors to say nothing, other than in confidence, until after a patent application has been filed.

Second, in the UK and Europe, patent applications are published while pending. This allows the chance to see what monopoly an inventor is claiming and object to the Patent Office if there are grounds to contest validity. In the US the situation is quite different; applications remain secret until granted.

Without valid patent protection, there can be no hope of financial reward from technology transfer. Even a know-how licence is usually tied to a patent licence. DIY patenting is usually no more successful than DIY appendectomy. In theory the Patent Office will deal with an inventor, offering helpful advice.

In practice this is dangerous for the inventor, because no amount of helpful advice from the Patent Office can repair the damage done by filing an inadequate application. If technical details are missing from the initial application, they cannot later be added.

The only safe way to file a patent, is with the help of a qualified patent agent. But choosing a patent agent can be difficult because the profession strictly limits advertising, and potentially disastrous changes in the law will soon allow anyone to practise as a patent agent, irrespective of experience.

A patent covers any idea which can be applied to industry

"It's illogical, and it puts the public at risk," says Ms Jacqueline Needle of the Chartered Institute of Patent Agents in London.

The Institute publishes a list of qualified agents which is kept in some public libraries. Word of mouth recommendation can be valuable.

Universities and research institutions may find it easier to entrust inventions to the British Technology Group. BTG offers a one-stop service and – following loss of monopoly privileges and the threat of privatisation – it has recently worked hard to shake off its aloof image.

Qualified patent agents' fees are high because they need a curious mix of technical and legal skills. Winning a British patent can cost more than £1,000. Other countries have similar or higher fees with annual renewals on top. Contrary to popular belief, and bluff talk by entrepreneurs, there is no such thing as a world patent.

Applications are handled by government Patent Offices and apply only to the country of grant. Two schemes, the European Patent Coventiona and the Patent Co-operation Treaty, which is administered by the World Intellectual Property Organisation in Geneva, make things easier and cheaper for inventors who want to file in several countries. Both schemes came into force in 1978.

The PCT gives an inventor the chance to file a single patent application in one country. The application is then checked for novelty by a single search through prior patents and technical literature. Previously inventors had to file separate applications in each country and pay for them all to be searched. After 18 months the PCT publishes the pending application and search report in patent libraries around the world.

The PCT scheme does not grant patents. This is done by national Patent Offices, or the European Patent Office, which honour the PCT search result. National offices grant patents for their own country, the European Patent Office grants a bundle of patents for up to 13 European states.

Spain recently signed the PCT and from November becomes the 42nd country to participate. Greece is the only country in Europe that is not party to the PCT although it is party to the European Patent scheme. Greece is expected to join the PCT to bring the dream of a true "world patent" closer to reality.

Trademark registration protects a name for any goods (and now service). There is no limit on the potential life of a trademark registration, provided renewal fees are paid. The first trademark, Bass for Beer, was filed over 100 years ago and is still going strong.

Trademarks can be very valuable. Under the consumer protection laws if a customer asks for goods by name, and is given something similar hnt not identical, the salesman is at fault. Hence the value of trademarks such as Coca-Cola and Pepsi-Cola.

Trademarks can die, however, through misuse. If the public took to calling every cola drink coke, irrespective of origin, the word could become generic and lose its status as a mark. This is what happened to the word aspirin, once a trademark.

The appearance of a product can be protected by paying for a registered design, or by free copyright. The law on both changed on August 1 when the Copyright, Designs and Patents Act 1988 replaced the Copyright Act 1956.

The new Act seeks to tie down, once and for all, the extraordinarily muddled situation which arose under the 1956 Act when manufacturers claimed free artistic copyright in mechanical products, such as spare parts for cars and electrical equipment.

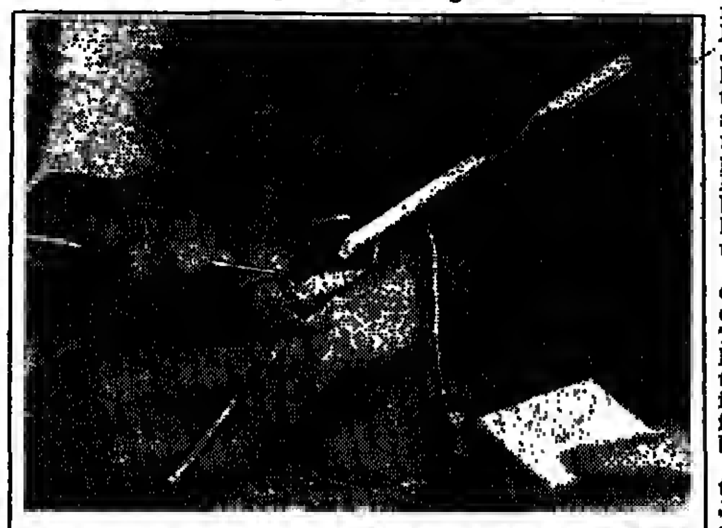
The new law gives no copyright monopoly to manufacturers if a spare part must be shaped in a special way to fit or match the original. Bnt where a product looks original, and there is no must-fit constraint, the manufacturer automatically, and withont cost, gets copyright protection through the new unregistered design right provision.

The new right lasts for 10 years, hut licences of right are available for five years. This means that anyone who wants to copy the design can demand a licence, with royalty payments if necessary, arbitrated by the Patent Office.

The old provision for registering an industrial design, by paying a fee, remains in the act. But the life span of a registered design has increased from 15 to 25 years and the law has been tightened.

Where there is no design freedom, because the design of a part is determined by the design of the whole, there can be no registration, even if the design looks novel to the eye. The idea is to make registered design protection available only for truly aesthetic, decorative industrial designs.

Barry Fox



Glass ionomer cement: invented at the Laboratory of the Government and developed with financial support from BTG

A small UK agency is suing the Pentagon, reports **David Fishlock**

The high price of a good secret

BRITAIN HAS developed some sophisticated mechanisms for technology transfer which are beginning to attract wider attention. The well-established British Technology Group and the newer Defence Technology Enterprises are unique activities that offer lessons for other nations as well as for other technology brokers.

Penicillin was discovered in a London hospital and a nearby pub called the Sir Alexander Fleming commemorates the event. Then came the Second World War and an urgent need for the world's first antibiotic. But Britain lacked both the resources and the engineering skills to prepare for large-scale fermentation. It went to the US for help – and found it.

After the war, however, word got around in Britain that someone had "given away" its discovery. The Government vowed it should not happen again and in 1948 formed a state-owned organisation called the National Research Development Corporation, to protect the intellectual property rights of scientists and inventors funded by the public sector in universities, hospitals, national laboratories, etc.

The job of the NRDC was to manage the development of research discoveries and inventions. From the start it built a strong legal side. This paid off handsomely when Oxford University discovered a second generation of antibiotics called the cephalosporins. They were patented worldwide and the royalties secured the financial base of the NRDC for many years.

This organisation has been used – and abused – in different ways by different governments. Now it is called the British Technology Group. It claims to be the world's biggest organisation specialising in technology transfer.

The BTG is currently suing the Pentagon for tens of millions of dollars for allegedly infringing its patents on Hovercraft.

In the 1950s a private inventor brought the idea of an air-cushion suspension for the agency it to manage. It set up a subsidiary called Hovercraft Development which patented the skirt retaining the air-cushion. BTG alleges that the Pentagon has bonght $500m-worth of hovercraft using its patented skirt.

The very idea of a minuscule foreign company, employing only 180 people, suing the Pentagon may seem amusing. But BTG has already taken on the world's biggest electrical groups and won.

At issue was nuclear magnetic resonance (NMR) imaging, alternatively known as magnetic resonance imaging (MRI), invented in British universities. BTG has compiled an impressive portfolio of patents it believes covers most such imaging systems sold throughout the world.

Until two years ago very few manufacturers outside the UK heeded BTG's claims. Then Johnson and Johnson, the US healthcare group, capitulated to threats of legal action. Soon after, US General Electric, the market leader, settled and paid BTG several million dollars. This windfall was shared by BTG with dons at Nottingham, Aberdeen and Oxford universities.

Gradually BTG's commercial people have persuaded other NMR makers, such as Toshiba and Siemens, to follow suit. The royalties, and the payouts to some impoverished dons, are doing wonders for its image as a technology broker.

It has also opened an opportunity that BTG is exploiting. Johnson and Johnson – a company with which BTG has enjoyed good relations until the imaging issue erupted – was evidently impressed by the tenacity with which BTG pursued what it believed were its commercial rights.

The healthcare group had already abandoned plans to make imaging systems. It invited the UK company to take over a portfolio of nearly 100 inventions relating to medical diagnostic imaging and manage development, sharing any royalties between them.

This windfall of intellectual property has doubled BTG's normal intake of new inventions this year. BTG believes it can repackage the portfolio in various ways to open markets for imaging in such activities as non-destructive testing for engineering, and quality control in the food industry, as well as for medicine. The deal has given a fillip to BTG's plans for internationalising its operations.

BTG has worked almost exclusively on behalf of British inventions

Historically BTG has worked almost exclusively on behalf of British inventions. Now it is getting the idea that many overseas companies may have portfolios of under-developed inventions crying out for its skills in technology transfer and the securing of intellectual property rights.

BTG is convinced intellectual property rights is a greatly under-valued resource, says Mr Ian Harvey, chief executive. Companies are constantly shelving ideas and inventions, not because they won't work but for lack of cash or the right people, for changes in corporate strategy, for a myriad of commercial reasons.

That is why BTG will continue to pursue the Pentagon. It has ample funds and the commercial freedom. It wants to be seen to be willing to fight long and hard on behalf of its inventors, whether they work in an academic cloister or for a corporation.

Between these two extremes, BTG has identified a host of highly innovative start-ups in advanced technologies, especially in the US, which have not begun to think of penetrating Fortress Europe. BTG is already inside the citadel – just like the ferrets I come to next.

Another technology transfer mechanism Britain is perfecting is embodied in the activities of a small venture called Defence Technology Enterprises; a private venture, owned jointly by several financial institutions. DTE was invented in 1983 as a way of transferring technology from Britain's defence research establishments into the commercial sector. It is a mechanism for penetrating their tight security fences and taking a cool look at the commercial opportunities within.

DTE has been infiltrating what it calls its "ferrets" inside the fences of all but the Atomic Weapons Establishment. These ferrets are technical folk – some have even worked in defence research establishments. As ferrets they have offices inside the security fences and are free to roam, to see, to talk about the commercial opportunities.

They have been ferreting for about three years. The important point is that they have been ferreting with top-level encouragement in the Ministry of Defence.

Initially, DTE saw itself as a technology broker with unique rights of access. After three years it has realised that to succeed commercially it must be much more than a broker. It must be willing to back the ideas that its ferrets find with more cash for development, to turn them into demonstrations credible to a potential commercial market.

That means a lot more money must be found, more risks taken, than were envisaged at the start, says Mr Bernard Herdan, managing director. The company has begun to look more widely for financial backing, abroad as well as in Britain.

Nevertheless, DTE has made an impressive start. By this summer it had compiled a portfolio of 500 promising military inventions and was marketing 60 of them in the civil sector. It has begun to second its own scientists – as well as the ferrets – to work inside the defence establishments alongside their staff, on the specific questions arising in the "civilising" of military technology.

Michiyo Nakamoto on Japan's creaking barriers

Turning a one-way flow

JAPAN HAS a long history of learning from others and for most of its recent past technology transfer was a one-way flow from the West. Over the last 100 years Japan has been driven by a desire to catch up with the industrialised world and has been preoccupied with soaking up the scientific and technical advances made in Europe and the US.

It is only in the past few years, as Japan's closed society was increasingly seen as a likely cause of the country's persistent and much-criticised trade surplus, that the Japanese woke up to the importance of sharing their recent technological success.

The Government is encouraging easier access to Japanese R&D from abroad. The spreading globalisation of industries is encouraging businesses to join hands increasingly across national borders. The indications are that the doors to Japanese technology are slowly being opened. This trickle, however, is likely to resemble a flow in the near future.

The Japanese Government is eager to present an image of openness. Claims by the US that the closed nature of Japanese society is in part responsible for its trade surplus makes the country's history of deficits in technology transfers something of an embarrassment.

Pressure on Japan to play an international role in keeping with its status as a leading economy has made it more necessary to promote greater access to Japanese R&D.

Tokyo is particularly sensitive to criticism from the US that it is selfishly keeping its technological achievement to itself. The US accounts for over 60 per cent of technology transfers to Japan. In 1987, the Japanese ran a Y106.8bn deficit with the US and a Y63.1bn deficit with western Europe.

Such criticism led Mr Noboru Takeshita, the former Japanese Prime Minister to agree last year with Mr Ronald Reagan, US President in office at the time, to facilitate access to Japanese science and technology research. Last spring, the Ministry of Foreign Affairs set up a scientific technology task force. A report published by the task force in June emphasised the increasingly important role that co-operation in scientific technology played in foreign relations.

Recent statistics, however, suggest that such efforts still have a long way to go. The number of new cases of technology transfers actually fell from 1,730 in 1986 to 1,655 in 1987, according to a report published in March by the Agency of Industrial Science and Technology. Figures released by the Bank of Japan indicated that Japan paid Y604bn for licences, patents and royalties in 1987. This was more than three times as much as it received.

Part of the difficulty is that most of the technological advances that foreigners are interested in is done in the private sector and the Government cannot force a private company to supply information on its R&D activities.

Japanese experience in trying to catch up and finally overcome the West has perhaps made the Japanese more reluctant to share in the fruits of their labour and suspicious of possible competition. Industry leaders are not as self-confident as their US counterparts were in the earlier part of the century although Japan enjoys its status as the world's largest creditor nation.

Mr Isao Idota, president of Technology Transfer Institute (TTI), a private organisation which helps companies arrange technology exchanges, regrets that Japanese companies are still far from forthcoming in their attitude towards foreigners.

Meanwhile, the traditional practice of lifetime employment reduces the chances of technology being transmitted through skilled personnel.

While the Japanese have recruited hundreds of technicians to teach them western skills, the only people Japanese companies will willingly send on technical transfer missions are men near retirement.

While such attitudes and the widespread image of Japan as an inaccessible society may discourage foreigners from seeking Japanese advances in technology, a lack of interest, at least on the part of the West, also helps perpetuate the lopsided situation.

Language is also cited, particularly by westerners, as a large difficulty in transferring technology from Japan.

The problems in technology transfers to developing countries are of a different nature. "It's a pitcher and catcher relationship," said Mr Idota. "If you throw the ball and the other side isn't ready, it's a disaster."

In spite of all the barriers, the unchallenged lead that Japan enjoys in certain industries makes it inevitable that more and more technology will flow out of the country.

At the same time, the increasing globalisation of industries and fear of protectionist measures are encouraging more Japanese companies to form licensing agreements with companies abroad.

"Europe's single market in 1992 has been the biggest trigger for technology transfers from Japan," says Mr Idota. "More Japanese companies are ready to license technology since nobody wants to be left out."

Quentin Peel looks at Moscow's modest record

Scientific reforms urged

WHEN Mikhail Gorbachev seized power in the Soviet Union four years ago, one of his prime co-conspirators was technology. Or, to be more exact, the lack of it.

It was the realisation of the rapidly expanding technological gap between the Soviet Union and the industrialised West, in spite of massive spending both on military hardware and on space, which persuaded important pillars of the establishment to opt for the radical reformer.

"Today, although the Soviet Union has one of the world's largest scientific workforces, it has only a modest record of achievements," said Mr Roald Sagdeyev, director of the Soviet Space Research Institute. "For too long, Soviet science has hidden its inadequacies behind official panegyrics to its success. Science has its own criteria for success, and Soviet achievements have not measured up to them."

Traditionally, the view has been that Soviet science has been strong on fundamental research, but weak on its application. Mr Sagdeyev, an outspoken member of the new Congress of People's Deputies, calls even that into question.

"We have long been used to castigating ourselves for being unable to translate effectively the results of fundamental research into practice," he wrote last year in Izvestia, the official government newspaper. "It is high time we sorted out honestly and objectively the causes of the crisis experienced by fundamental science."

More than anything else, he blames the creation of a massive scientific bureaucracy – perhaps 1.5m strong – raising artificial barriers to inter-disciplinary communication, preventing labour mobility, and stifling original research.

That thesis is almost universally accepted. However, the system will take a long time to unscramble, in spite of progress in pensioning off ageing administrators and academics into honourable retirement.

In the meantime, the Soviet economy desperately needs the injection of Western technological know-how, both to stimulate fundamental research, and, more immediately, to help put the existing results of basic research into effect. But that is exactly where Western restrictions on technology transfer are most severe.

Cocom, the Co-ordinating Committee for Multilateral Export Control, still has sweeping powers to prevent any Western exports which might have a military application in the Soviet bloc. It is the subject of bitter reproach in Moscow, and almost equally resented by Western businessmen trying to increase exports there.

"East-West relations have of late been bled white by Cocom," Mr Mikhail Gorbachev told the Council of Europe in July.

The latest relaxation in Cocom rules in August does allow the old generation of personal computers to come into the Soviet Union reasonably freely, making it possible for most 16-bit microcomputers to be sold, while maintaining the ban on 32-bit machines.

It still means that machines with the 386 chip, available over the counter in high street stores in western Europe and the US, are supposed to be banned. Restrictions remain on memory size and transfer speeds incorporated in main frame computers.

"The annoying thing is that within Comecon countries they are producing machines with bigger memories, but it is difficult to prove it," says Mr Bo Lejdstrom, general manager in the Soviet Union for ICL.

Western diplomats certainly recognise that the Cocom restrictions are hitting the Soviet economy where it hurts.

The USSR must raise the quality and reliability of its production – through automation, robotics, computer-assisted design and manufacture.

"But that is precisely the area where they come up against Cocom: production technology can be used to produce defence goods as well as civilian ones," said a Western scientist.

Cocom restrictions have some effect, but less drastic, in the other area seen as most in need of transferred technology: bio-technology, where the advances in Western science have not been reflected in the USSR. The area is crucial for the Soviet Union because of the parlous state of both agriculture, and the health service.

"In the whole of our country there are probably no more than 50 geneticists doing truly up to date research," according to Mr Alexei Sozinov, director of the Moscow Institute of General Genetics. "Practically all the genes we use are imported. We even have to bring in laboratory mice from abroad."

What Mr Gorbachev's policy of glasnost has meant is a dramatic improvement in communication between Soviet scientists and their Western counterparts. Joint scientific journals will help expose Soviet work to the outside world. Similarly, Western journals are becoming more freely available in the USSR.

Mr Yuri Osipyan, director of the Institute of Solid State Physics, said restrictions have been lifted on publication of research formerly classified as defence-related. The only restrictions are on the techno-logical aspects which are regarded as industrial secrets.

Dr Gury Marchuk, the president of the Academy of Sciences, has spelt out the areas where he sees Soviet science falling most seriously behind: high-velocity aerodynamics, in the development of new materials, and in bio-technology, although he says Soviet scientists are still ahead in protein synthesis, bio-energetics, and radiation bio-engineering.

The Soviet space programme is held up as one of the success stories but the useful results in the civilian sphere are limited. The main advance for Soviet science has been in space medicine – which is fine for sending men to Mars, but not much use to stop children being infected with Aids in central Asia.

Even the production in space of pharmaceuticals and semi-conductors could almost certainly be carried out more cheaply on earth.

In every sphere, it is the shortage of the sort of computer power taken for granted in the West which is hampering faster development.

A positive flood of Western computer companies is competing for the business perceived there.

The problem is the same as for the rest of the Soviet economy: a desperate shortage of foreign exchange to buy Western equipment.

What the Soviets have to offer in exchange is a considerable expertise in software. Years of living with the shrunken computer memories dictated by Cocom rules have forced Soviet programmers to get much more ingenious than their Western counterparts.

On the face of it there should be a huge body of unexploited knowledge. Up to 80,000 Soviet inventions are registered in Moscow every year, but last year only 300 were registered internationally.

The trouble is that Western intermediaries are usually presented with enormous lists of inventions they might be interested in, without any attempt at discrimination.

Fund-raising is difficult, says **Charles Batchelor**

In search of cash

TRANSFERRING technology from one company to another is not without its problems. Shelbourne Reynolds, a Suffolk-based engineering company, discovered this when it decided to develop a grain stripper which speeds up the harvesting process.

Shelbourne decided for the first time to develop someone else's product under licence. It spent two years making prototypes and pre-production models until it made its first commercial sales in 1988.

The company is confident that the stripper will help double its turnover, currently £3.5m, within the next few years. But the development costs exceeded original estimates by four times, and the time taken to bring the grain stripper to market was much longer than expected.

Shelbourne consequently made its first loss in its 17-year history; the bank manager refused to provide further finance; and the company had to sell off 30 per cent of its shares to avoid liquidation.

For the smaller company, the problems of absorbing bought-in technology are acute. A large corporation may be able to afford to write off the occasional hiccup but the finances of the small company are more finely balanced.

Developing your own technology is also fraught with problems. Persuading financial backers to support new technology has never been easy and the losses which many British investors suffered from backing technology-based businesses in the early 1980s has made financiers wary.

Paul de la Pena, a Midlands-based company which blends industrial lubricants, was forced to go to Italy for finance for a new sensor to measure the growth of bacteria in machine oils after unsuccessfully attempting to raise the money in Britain.

The company, which has turnover of £2.5m, spent £1m of its own funds before turning to outside finance. It raised £1.7m from Iritech, an Italian state-owned financing agency. Mr Paul de la Pena, the chairman, felt that British venture capitalists did not understand the technology and were not interested in backing a project which had already reached an advanced stage of development.

His complaints are given backing by the venture capital industry's statistics. Just 9 per cent of the investments by the UK venture capital industry in 1988 went to technology related businesses compared with 16 per cent the year before. These figures compare badly with the US where 75 per cent of venture funds invested since 1980 have gone into technology.

Companies based on UK science parks make sparing use of venture capital. Only 3 per cent use venture funds to get started while just 8 per cent take in second stage venture finance, according to a recent survey.

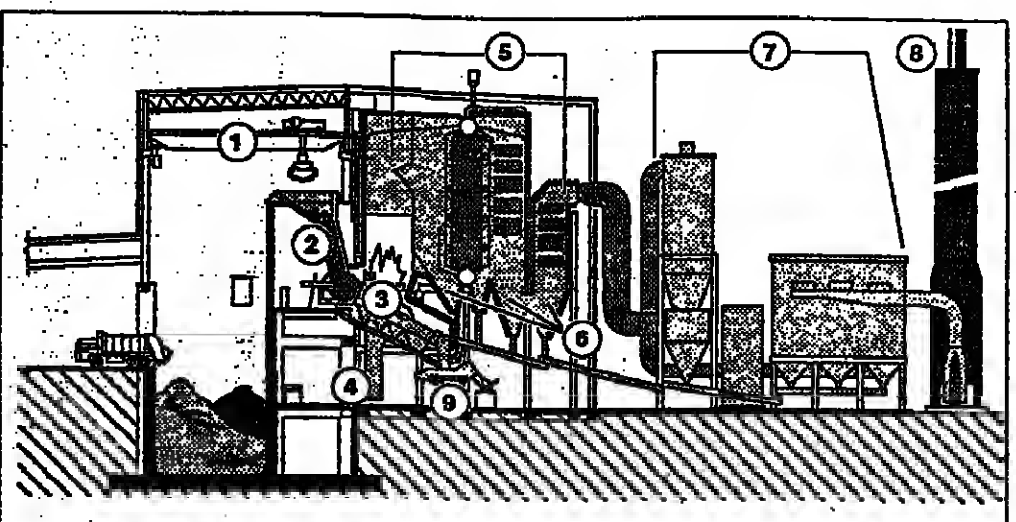
The failure of British venture capitalists, and the Government, to back innovation and support the smaller company has attracted the attention of the Prince of Wales. In a speech in June to the British Venture Capital Association, he warned the industry about taking a short-term approach to its investments.

The result is that innovative small companies are frequently forced to put together a mosaic of funding to meet their financial requirements.

While technology-based companies may not appeal to the majority of venture capitalists, some venture funds have maintained a commitment to this sector. Transatlantic Capital, a London-based investment management company, earlier this month raised £6m for its third Bio-Sciences Fund which will invest in the medical, health care and bio-technology industries in Europe and the US.

In June, N M Rothschild, the merchant bank, announced a £20m fund to finance companies involved with materials technologies. This year, technology funds were launched by Korda, a technology consultancy, which raised £5m; Prelude Technology Investments, a venture capital group raised £20m; Guinness Mahon, investment bank raised $25m and Charterhouse, a financial services group, £40m.

The banks have been taking a closer interest in technology-based businesses. Barclays Bank has taken a close interest in technology for some time while National Westminster bank earlier this year created a technology unit. NatWest is training technology managers for 25 of its main branches and has set up a Seed Capital Loan facility to provide loans of between £5,000 and £50,000.



The Martin waste-to-energy incinerator is typical of its kind. The system uses 21 processes to turn domestic rubbish into power and heat. The main steps are: a remote-controlled crane (1) grabs unsorted refuse and puts it in the feed-chute (2) from where it is transferred to the stoker grate (3). Air is blown (4) from below the grate to fan the fire. The hot gases which reach about 1,000 deg C are forced through five stages, where they pass the boiler and heaters (5). The fly-ash (6) is removed before the gases enter the scrubbing devices (7), where acids are neutralised and particles extracted. Cleaned gases leave via the stack (8). Fly-ash and residue-ash (9) is collected and dumped. Most stages are monitored by computer.

The power of burning rubbish

Peter Knight assesses the practicality of incinerators which turn waste into energy

Take some used disposable nappies, a few potato peelings, last weekend's newspapers and the stew little Tommy refused to eat. Use it to make a fire under a steam-producing boiler.

This, say some, is a recipe to create energy and dispose of rubbish at the same time. Others are horrified because they see it as a mixture for environmental disaster.

There are about 500 waste-to-energy plants around the world, most in western Europe, the US and Japan. Singapore, Malaysia and the Soviet Union also have some. The first plant was built in England in 1895 and a few were constructed in New York City at the turn of the century.

Until now, relatively cheap fossil fuels and inexpensive landfill sites have kept the concept of using rubbish for fuel as an obscure art.

This could change. The shortage of rubbish dumps near cities and the spiraling cost of transporting domestic refuse to landfill sites out of town has focused attention on waste-to-energy plants.

The US Environmental Protection Agency predicts that a quarter of the US domestic rubbish will be incinerated by 1990. An average US citizen throws away about 1.2 tons of refuse a year, nearly half of which is paper and other combustible materials.

UK citizens each dump about a third of a ton a year. If all the domestic rubbish in Britain were burned instead of dumped it would generate as much electricity as the proposed nuclear power plant at Hinkley Point, according to Bob Wheatley, sales manager of Martin Engineering Systems, the UK subsidiary of Martin Munich and CNIM of France.

Waste-to-energy incinerators havs traditionally generated steam for industrial use or for electricity. But most modern plants generate hoth power and heat. The power is sold to the local utility company and the heat is piped to district heating projects nearby.

A plant in Gothenburg, Sweden, for example, burns 1,000 tons of the city's refuse every day and snpplies 100MW of heat for district-heating systems and 14MW of electricity. A similar plant in Lausanne, Switzerland consumes part of the city's rubbish and gives heat and power in return.

In London, three of the city's boroughs have joined a consortium called the Sonth East London Combined Heat and Power Consortium (Selchp). It is planning to build a £70m refuse-fired plant on an old dog-racing track.

At the heart of the plant will be a Martin incinerator. It uses a stoker-grate to ensure efficient combustion of the refuse. The grate, where the fire burns, looks similar to an escalator. The refuse is thrown on the fire and the mobile grate stirs, stokes and pushes material to the centre of the fire.

Air is blown in from underneath the grate. Combustion gases reach about 1,000 deg C and the heat is used to make steam. This in turn drives the turbines. Selchp will use some of the steam to heat water. The boroughs intend to buy the water and pump it through specially laid insulated pipes to heat council housing. The local electricity authority plans to buy the current generated by the turbines.

The Selchp plant will burn about 400,000 tons of refuse a year and produce 33MW of electricity and 75MW of heat.

The technology behind this type of plant was developed during the Second World War. Germany used it to burn low-grade coal. Small European countries with few landfill sites, such as Denmark and Switzerland, have used the incinerators since then to dispose of their rubbish.

But there are two big problems in building waste-to-energy plants. Bob Wheatley describes one as psychological; the other is financial.

If the plants are to provide district heating and a disposal point for urban refuse, they have to be built close to houses. Residents are justifiably concerned about smells, noises and noxious emissions from the incinerator.

The flue gases should be "scrubbed" to meet new EC emissions standards. But environmental campaigners, such as Greenpeace, say the incinerators produce dangerous chemicals that can evade the scrubbing process and escape up the chimney. Operators dispute these claims. They say no dangerous emissions have ever escaped from any plant.

Greenpeace argues, and no one disagrees, that the ash which remains after the process contains dangerons substances, such as heavy metals. The ash has to be buried in special landfill sites designated for hazardous materials. This, says Greenpeace, maintains a dependence on landfill. The rubbish should be recycled instead of burned, it says. But the cost is prohibitive.

Jeff Cooper of the London Waste Regulation Anthority says there has to be a balance of risk. "In household rubbish there is a small amount that you would not want to incinerate. But this is so small that when it goes through the system there is no risk to people."

New EC regulations will probably force some old and inefficient incinerators to close. One of the dangers of incineration is a sudden drop in temperature – for example, when rubbish of low calorific values is being burned – which means poisonous substances are not destroyed in the fire. Rubbish incinerators will have to include a fail-safe device that introduces fossil fuel to boost the fire if it drops below 850 degrees C.

Where money is concerned, there is no disagreement. The builders of waste-to-energy plants face high capital costs. "Incineration is a good way of getting rid of waste but only if you are recovering the heat. It's a very costly process and in the UK a lot more expensive than landfill," says Cooper.

"If you just want to generate electricity it's more economical to use a fossil fuel because the plant is cheaper to build," says Wheatley. "Refuse is the worst form of fuel [due to its inconsistency] that you can imagine. That's why the energy-from-refuse plants are expensive to build. The only way it will generate energy on a competitive basis is if the plant gets paid for the refuse it burns."

The costs of plants on the Continent are usually borne by the government or local authorities. The UK Government insists that they be self-financing. Raising the money is difficult because a large-scale plant burning rubbish could cost around £70m and will take 15-20 years to recoup the capital outlay.

Forming a consortium may be the solution. Equipment suppliers, project managers, plant constructors, energy wholesalers, energy customers (usually local authorities) and banks would be members. They would finance a feasibility study and, based on the outcome, form a utility company. The plant will only be viable if the boroughs pay the new company a "gate fee" to burn their rubbish and guarantee to supply sufficient refuse for the life of the plant.

This guarantee could be difficult if UK Government reforms change the way local authorities finance the disposal of their waste. The reforms might force local government to put out for tender the bulk disposal of rubbish. This could prevent councils from making long term commitments to supply waste-to-energy plants.

With worldwide emphasis on environmental issues and the development of new technologies to cut the cost of recycling, it would seem absurd, say in 10 years' time, to pay one company to burn the rubbish when another might want to recycle it.

Britain falls by the R&D wayside

Clive Cookson looks at an OECD report on nations' spending

Britain was the only western industrial country in which the percentage of national income devoted to research and development declined during the first half of the 1980s, according to a new analysis by the Organisation for Economic Co-operation and Development.

The OECD, based in Paris, produces the most comprehensive statistics available for making international comparisons of R&D. But the figures are inevitably somewhat out of date; the new report has complete statistics up to 1985 and partial data to 1987.

The overall picture for the 24 OECD countries is one of strong growth in R&D spending during the first half of the 1980s. Total OECD expenditure on R&D grew at a real rate of 6 per cent a year between 1981 and 1985, while GDP increased by 2.6 per cent. Partial data for the following two years, however, shows a slow-down to about 4 per cent R&D growth in 1986-87.

Japan, Spain, Norway and Finland lead the league table of 1981-85 R&D growth, with compound spending increases of about 9 per cent a year. The UK is bottom of the table, with 1.6 per cent a year growth. "The UK was the only country where growth in R&D expenditure was lower than growth in GDP," the report says.

Together, the 12 EC countries account for 34 per cent of the OECD's total GDP but only a 28 per cent share of R&D spending. "Performance has been particularly weak in the UK and the Netherlands," the report comments.

The swing from public to private sector funding of R&D, which began in the 1970s, has continued during the 1980s. The US is the only OECD country where the share of R&D effort financed by the government has increased. Even so, government-financed R&D grew more rapidly than total public expenditure in most countries. The clearest decline in government spending on civil R&D was in Britain.

Higher education's share of R&D spending fell in the late 1970s and early 1980s, reaching 16 per cent in 1985. In relative terms, university research is more important in small and medium-sized countries than in the OECD giants.

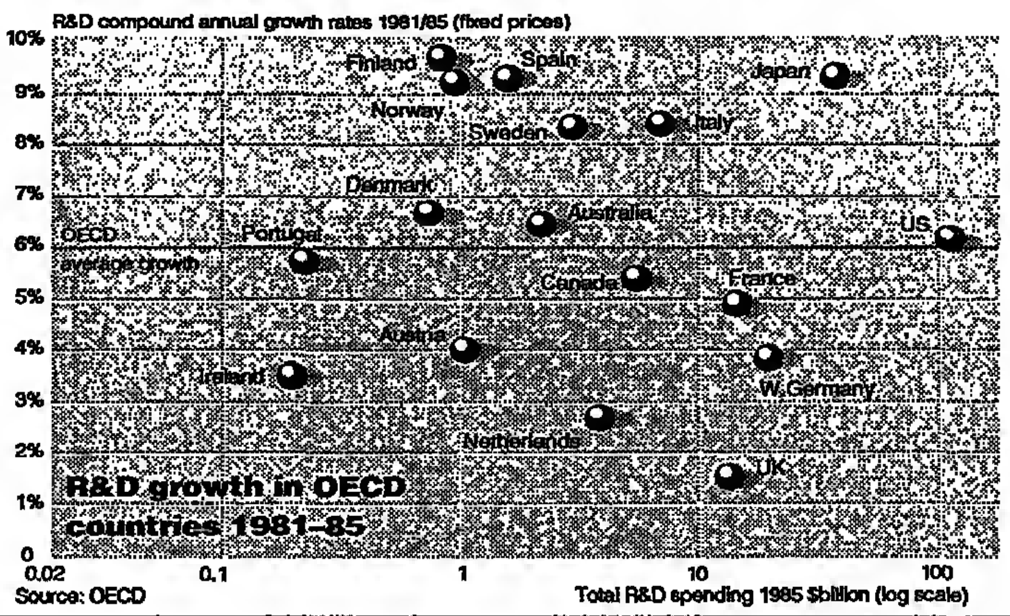
At the same time, the structure of university R&D funding is changing. "General funds" are decreasing in favour of "mission-oriented" government programmes with an economic, social or regional slant. The proportion of university research financed by industry is rising but is less than 5 per cent for the OECD as a whole.

The OECD report says the overall effect is "a weakening of the university research environment, with average financial resources per researcher falling, in particular capital expenditure."

The report also analyses the growing international diffusion of technology through patents and licensing agreements. Most OECD countries import more "disembodied technology" in the form of licences and know-how than they export. The source of most of this technology is the US, which runs a huge positive balance on its "technological balance of payments". The UK, Sweden and Denmark have small surpluses.

Although Japan still runs a negative technological balance of payments, its deficit has been shrinking for the last 15 years. Since 1971 Japanese companies have sold more technology abroad than they have imported, taking into account only new contracts. The negative overall balance is a legacy from licensing agreements concluded in earlier years, when Japanese industry was growing rapidly on a base of imported US technology.

OECD Science and Technology Indicators Report No. 3 – R&D, Production and Diffusion of Technology. OECD, Paris. FFr200 or £24.



	Processor	Architecture	Disk	Access	Price*
XIOS XS2-30/286	286/12MHz	Industry Standard	20Mb	29msec	£1100
IBM PS2/30-286	286/10MHz	Industry Standard	20Mb	80msec	£2390
Compaq Deskpro 286e	286/12MHz	Industry Standard	20Mb	29msec	£2240
XIOS XS2-50	286/16MHz	Micro Channel	40Mb	19msec	£1475
IBM PS/2-50Z	286/10MHz	Micro Channel	60Mb	27msec	£3175
XIOS 386SX	386SX/16MHz	Industry Standard	40Mb	19msec	£1675
XIOS XS-65SX	386SX/16MHz	Micro Channel	40Mb	19msec	£1675
IBM PS2/55SX-31	386SX/16MHz	Micro Channel	30Mb	27msec	£3048
Compaq Deskpro 386s	386SX/16MHz	Industry Standard	40Mb	29msec	£2940

COMMODITIES AND AGRICULTURE

MP to seek court order closing Ok Tedi mine

A PAPUA New Guinean politician is to seek a court order temporarily closing the Ok Tedi gold and copper mine to the remote Fly River system because of environmental concerns, reports Reuter from Port Moresby.

Mr Parry Zeipi, a former Environment Minister, said he would ask the National Court for an injunction to close Ok Tedi Mining, operated and 30 per cent owned by BHP of Australia.

Mr Zeipi, now an opposition member of parliament, said closure would provide more time to study plans to allow the mine to dump up to 150,000 tonnes of waste a day into the river. The Government last week granted permission for the dumping to go ahead despite its effect on the environment.

At the other end of the country, the Bougainville gold and copper mine has been shutdown for months because of a sabotage campaign, depriving the central and provincial governments of substantial revenues.

Mr Zeipi said: "I'm determined to take this issue head-on. Lives need to be balanced with the needs of economic development."

Some 20,000 people live in the Fly River area and Mr Zeipi said trees and grasslands were already dying along the river as it silted up.

Ok Tedi said earlier that three years of environmental studies had shown the river and its fish would be affected by the dumping.

The *alternative* is a $380m tailings dam, so expensive it could threaten the mine's survival, said Dr Roger Higgins, an Ok Tedi official.

"It was a very tough decision for the PNG Government," said Mr Higgins. "I'm glad I didn't have to make it."

The independent environmental study funded by the company and used by the government to make its decision recognised there would be changes to the fish population after dumping, Dr Higgins said.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes	
Aluminium	−1,850 to 61,825
Copper	−1,400 to 102,875
Lead	−700 to 34,225
Nickel	−166 to 4,788
Zinc	+4,700 to 73,050
Tin	+495 to 4,850

Peru to offer silver bonuses

By Kenneth Gooding, Mining Correspondent

PERU'S PLAN to offer bonuses to producers to encourage silver bullion exports was not likely to disrupt the market, analysts said yesterday.

Neither was the US Mint's plan to sell 625,000 troy ounces of silver by auction on October 31 expected to cause disturbance.

The Mint's sale was part of a three-year programme to sell 7.5m ounces from its stockpile and the market had therefore known about it for more than a year, Ms Rhona O'Connell, precious metals analyst at Shearson Lehman Hutton, the financial services group, pointed out.

The US silver would probably not reach the market immediately because its quality varied, ranging from material with more than 99 per cent silver contained in it to less than 45 per cent.

As for Peru's plan, Ms O'Connell said it had been made clear that any bonus would not be paid until the silver had been sold in export markets. The plan therefore did not encourage producers to boost exports at any price. Exporters would not receive any bonus until the metal had been sold and the money returned to Peru.

Ms O'Connell calculated that the combined fall in the output of the metal and the drop in the market price had caused the value of silver mined in Peru to slump by 30 per cent, from $463m in 1987 to $325m last year.

The value was likely to fall by another $50m in 1989, she added.

Peru's proposals were revealed by President Alan Garcia in an interview with Reuter's correspondent Mr Roger Atwood. Mr Garcia said the bonus might be 15 per cent and was not designed to raise silver prices but to provide more stability for mining companies and their employees. "It has become necessary for us to come to the aid of silver producers. . . we've got to do something," he said.

Mr Garcia gave no indication when the plan would be put into effect.

Peru's silver production in the first seven months of this year totalled 1.059m fine kilograms against 1.054m kg in the same period last year. Mr Garcia said he expected Peru's silver exports to remain generally lower-than-average at least until his Government's term of office ends in July, 1990.

Although he admitted lead producers were also suffering from low prices and some were selling below cost, Mr Garcia gave no indication that a similar support plan was being considered for metals other than silver.

According to Ms O'Connell, while the value of lead mined in Peru was down by 19 per cent from $131m in 1987 to $98m last year, copper's rose by 9 per cent from $711 to $725 and that of zinc by 23 per cent from $486m to $589m.

Honduran banana dispute continues

By Robert Graham

WORKERS AT the Tela Railroad Company, the largest banana producer in Honduras and owned by United Brands, yesterday defied a presidential decree to end a 5-day strike.

The strike, which has caused the loss of some $2m worth of exports, now appears set to continue indefinitely and become ever more caught up in the campaign for the November 26 presidential elections.

Tela Railroad accounts for more than two thirds of Honduras's annual banana exports of 46m boxes (40 lb each). The dispute with the unions arose over moves to transfer a packaging operation to an independent producer and involved only 106 workers. However, it spread to loading operations at Puerto Cortes and then a solidarity strike among all the company's 9,300 employees – the largest private workforce in Honduras.

After Ministry of Labour mediation failed, President Jose Azcona intervened calling all parties to a meeting in Tegucigalpa last Friday. Then on Sunday he issued a decree forcing an end to the strike to avoid "irreparable damage to the country's economy." The basis of the deal was for the packaging operation under dispute to be transferred to an independent producer with guarantees about wage levels. At the same time, the management agreed to take no reprisals against the strikers, though they were denied any back pay.

Work was due to resume yesterday in all operations save loading where a further 72 hour period had been set aside to resolve outstanding issues at the stocks. However, a company official said that the union was refusing to observe the presidential decree and all operations remained paralysed.

Putting the environment out to contract

Bridget Bloom on a radical proposal for protecting the British countryside

DO YOU have a favourite country view – a small spinney perhaps, nestling alongside a sparkling stream, or a knoll of trees perched atop rolling downland? If Britain's Country Landowners' Association has its way, that view might well be protected for you by its owner, the farmer, under contract to the local council.

In direct response to the crisis in farming and the upsurge in environmental consciousness, the CLA is canvassing plans which could involve a countrywide network of such contracts under which woods would remain unspoiled, streams clear of pollutants, fields nicely hedged and footpaths properly open to walkers – all in return for a cash sum for the farmers, who would face heavy penalties if they did not deliver.

Under the plans – which CLA will next month take to Brussels to try to convince Mr Raymond MacSharry, European Community Agriculture Commissioner, of their worth – any farmer could enter such a contract if he could find a willing buyer. That buyer could range from a parish or village council, wishing to develop a sports field or a small nature reserve, to central government anxious to meet the wishes of its electorate to preserve a landscape along a motorway – or ensure that farmland above underground water sources is free from nitrates.

Mr James Douglas, the CLA's director, canvasses these Environmental Land Management Services, or ELMS for short, with an enthusiasm tinged with what seems like embarrassment for its audacity. For Britain's landowners are quintessentially conservative, and the CLA is not known for producing radical ideas.

Yet ELMS, naive and ill-thought out though it may be in some respects, is a sign of how far the agricultural world is moving in response to the changes born of the recent decline in farming's fortunes on the one hand and the burgeoning green concerns of electorates on the other.

The association takes those changes as *its starting point*. As Mr Douglas sees it, there are three key factors. Less land will be needed for food production in the future, as market forces bite more deeply, landowners are re-appraising the profitability of agriculture compared with other uses of land; and consumers are increasingly demanding well managed and accessible countryside.

John Gummer: "Interested, if uncommitted," says the CLA

THE BRITISH Government is to fund a study examining the economics of organic farming, its first investigation of the subject.

The study, which will survey 300 of Britain's estimated 1,000 organic farmers, is being undertaken against the background of rising sales and imports of organic food, as well as the promise of EC proposals on organic farming.

It will be undertaken by Cambridge University's Agricultural Economics Unit in alliance with the University College at Aberystwyth. The cost will be about £60,000 and it should be completed in 18 months.

The CLA is not the only organisation concerned with farming and the countryside which is groping for some way of making sense of the plethora of special schemes to protect the countryside and help farmers adjust.

These schemes range from specially protective designations for areas of land, like national parks or areas of outstanding natural beauty or sites of special scientific interest, to measures designed to help farmers diversify out of surplus crops, set land aside from arable production or farm in environmentally sensitive ways.

The Countryside Commission, the Government's own adviser on countryside matters, joined the debate last spring when it suggested that most of the aids should be assembled onto one comprehensive "menu" of farm support which would reward farmers for choosing environmentally friendly practices. The independent Council for the Protection of Rural England more recently suggested that the newest scheme from the European Commission, to encourage less intensive farming, could be rejigged, at no extra cost, to be "environment friendly."

But the CLA's proposals are the most comprehensive and radical, if only because they could embrace the whole spectrum of aids yet at the same time envisage a considerably less dirigiste role for central or local government – or even for Brussels.

Mr Douglas admits there are problems with the idea. While it may be easy enough to envisage farmers contracting with a local birdwatcher's society, a village or even a district council to create or maintain particular environmental features, it is less easy to see how this could be done on the much larger scale that would be necessary with central government.

"What would be needed would be to turn government from being an environmental supremo to environmental customer," Mr Douglas says.

On its way to establishing this Environmental Products Purchasing Programme, the CLA seems to envisage government laying down specifications for its environmental needs – the preservation of grassy downland, for example, or the wetlands of Somerset – while leaving the precise way of doing this up to negotiation between groups of landowners and a professional agent, like a surveyor or land agent, acting on the government's behalf.

This use of professional go-betweens, it maintains, would reduce the administrative burden while maintaining greater flexibility and initiative for the landowner. One of the criticisms of the Government's own Environmentally Sensitive Area schemes, for example, is that they are very costly in staff as well as in the compensation payments made to farmers.

As for overall costs, the CLA has apparently yet to do its sums and will no doubt feel the sting of official criticism as soon as it does so.

However, CLA draws comfort from the promised presence tonight of Mr John Gummer, the Minister of Agriculture, at a special meeting on the fringe of the Tory Party conference in Blackpool, where ELMS, together with the report that spawned it* – Enterprise in the Rural Environment* – is to be discussed. Mr Gummer is reported to be "interested, if uncommitted" by the CLA.

It is of course clear that its scheme would have advantages for the landowner. "It would be a realistic way for the farmer to earn money, providing something the public wants," Mr Douglas says. "The last thing any self-respecting landowner wants is to be seen by the public as some sort of park-keeper, depending on handouts from the taxpayer, as is beginning to happen today."

**Available from the CLA, 16 Belgrave Sq, London SW1.*

Malawi aims for bigger slice of sugar loaf

Mike Hall on obstacles to growth for one of the world's lowest cost producers

PRESSURES TO expand sugar production in this small southern African country are mounting.

Domestic sales rose by 17 per cent last year, but a large part of the increase is thought to have been smuggled to neighbouring countries. Local government-controlled prices are far lower than those obtainable abroad. Meanwhile, since the industry is obliged to meet domestic requirements and is working at full capacity, it is losing potentially valuable export earnings.

Experts say the cost of sugar production in Malawi is amongst the lowest in the world, mainly because of cheap labour. But there are major obstacles to further large-scale development.

The industry began soon after independence in 1964 with the help of Lonrho, the UK-based multi-national, which also owns sugar estates in Mauritius, Swaziland and South Africa. Output has since grown to an annual average 165,000 tonnes.

Sugar has become Malawi's third most important export, after tobacco and tea, and is estimated to account for about 10 per cent of the country's total export earnings this year. Fuel ethanol is an important parallel industry, with 12m litres being produced annually, saving 13m kwacha ($4.7m) in reduced oil imports. Local fuel contains 20 per cent ethanol – said to be one of the world's highest ratios for use by normal vehicles.

The Sugar Corporation of Malawi (Sucoma) established the first estate in the southern Shire River valley in 1966. It now covers 9,200 hectares. Another was opened in 1979 by the Dwanga Sugar Corporation (Dwasco) on the western shores of Lake Malawi where a smallholder scheme with 200 growers and covering 680 ha also operates.

Malawian Sugar Output ('000 tonnes)	
1989	182
1988	174
1987	172
1986	163
1985	148
1984	156
1983	175
1982	172
1981	166
1980	148
1979*	109
1978	93
1972	35
1966†	3

† Sucoma opens. * Dwanga opens

The Dwanga estate covers 5,200 ha and experts say it is among the most cost-efficient in the world, with a modern mill and very low labour costs. However profitability has been hit by low sugar prices and rising debt repayments to overseas creditors after successive devaluations of the kwacha.

Lonrho manages both estates. It holds a 51 per cent stake in Sucoma with the parastatal Agricultural Development and Marketing Corporation holding the rest. The Government and the marketing corporation hold 68 per cent of Dwasco, Lonrho 28 per cent and foreign financial institutions the balance.

All caneland is irrigated, enabling a faster-maturing 12-month crop.

The domestic market takes about 60 per cent of Malawi's production while some 13 per cent is exported to the European Community at about double world market prices. Malawi has a 21,500 tonne quota under the Lomé trade and aid convention between the EC and the African, Caribbean and Pacific (ACP) group countries. Slightly less, about 18,500 tonnes, is exported at preferential prices to the US, comprising 1 per cent of the total US import quota.

About 13,000 tonnes goes to Portugal at world market prices under a long-term agreement.

The balance of about 12,000 tonnes is exported to other African countries, including Zaire, Burundi, Tanzania and *Mozambique*.

Observers say Malawi has a competitive edge over other regional producers such as Zimbabwe and Zambia.

Malawi's sugar industry is ripe for expansion. Sources say the Government has been examining ways of increasing output, which have included controversial proposals to bring in another international company. But there is little room to improve yields and a lack of suitable vacant land in this populous country limits an expansion in area.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices closed at the day's highs on the LME yesterday, again following Comex, where prices breached the chart resistance level of 132.5 cents a lb for December. "Many London players still don't share fully *New York's optimism as European* supplies appear to be fairly plentiful at the moment," one trader said. However, bullish sentiment was fuelled by news of a possible closure of the Ok Tedi mine in Papua New Guinea for environmental reasons. This would reduce further a supply source to Japanese consumers who have already been hit by long closures at Bougainville and Canada's Highland Valley. Coffee prices fell to fresh 14-year lows during the day, the *January robusta contract touching* £636 a tonne before recovering to £655 at the close. Dealers said fundamentals remained extremely bearish.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.65-5.80q	-.025
Brent Blend	$18.10-8.15q	-.075
W.T.I. (1 pm est)	$19.85-9.90q	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$204-206	
Gas Oil	$174-175	+2
Heavy Fuel Oil	$96-97	+1
Naphtha	$151-153	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.0	-0.25
Silver (per troy oz)♣	509c	-4
Platinum (per troy oz)	$486.25	+0.10
Palladium (per troy oz)	$136.25	-1.00
Aluminium (free market)	$1790	+10
Copper (US Producer)	137⅝-41½c	+3¼
Lead (US Producer)	40.5c	
Nickel (free market)	485c	+8
Tin (Kuala Lumpur market)	22.22r	-0.09
Tin (New York)	385.5c	-7.0
Zinc (US Prime Western)	80⅝c	+⅛
Cattle (live weight)†	115.56p	-0.45*
Sheep (dead weight)†	158.14p	+8.17*
Pigs (live weight)†	107.32p	+4.11*
London daily sugar (raw)	$347.8y	-6.8
London daily sugar (white)	$401.0y	-8.0
Tate and Lyle export price	£335.0	-0.5
Barley (English feed)	£112.5x	+2.0
Maize (US No. 3 yellow)	£124.0w	
Wheat (US Dark Northern)	£127.5w	
Rubber (spot)♥	58.00p	+0.75
Rubber (Nov)♥	59.00p	+0.75
Rubber (Dec)♥	59.75p	+0.75
Rubber (KL RSS No 1 Nov)	231.0m	-1.5
Coconut oil (Philippines)§	$475y	-5
Palm Oil (Malaysian)§	$320	
Copra (Philippines)§	$315	
Soyabeans (US)	£167q	+1
Cotton "A" index	83.05c	+0.45
Wooltops (64s Super)	687p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Sep/Oct. w-Oct. q-Nov. z-Jan/Feb†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	754	753	759 747
Mar	720	726	729 710
May	729	735	737 728
Jul	743	749	750 741
Sep	760	767	760 760
Dec	785	790	790 785
Mar	808	010	813 808

Turnover: 0180 (7833) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 6 868.12 (867.23) :10 day average for Oct 6 870.48 (873.47)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	670	673	650 646
Jan	655	658	655 636
Mar	665	670	664 646
May	675	689	673 664
Jul	693	713	690 680
Sep	715	733	705 698
Nov	730	753	720

Turnover: 4554 (6086) lots of 0 tonnes
ICO indicator prices (US cents per pound) for Oct 6: Comp. daily 59.88 (61.51). 15 day average 66.46 (67.04)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	312.20	307.00	312.20 307.00
Mar	307.40	303.00	306.00 302.40
May	302.60	298.20	303.00 298.60
Aug	296.20	292.20	296.00 293.00
Oct	287.00	282.00	287.00 283.60
White	**Close**	**Previous**	**High/Low**
Dec	388.50	384.40	388.00 387.00
Mar	387.50	383.50	387.00
May	386.50	382.50	387.00 386.00
Aug	390.00	388.00	388.00 386.50
Oct	373.50	387.00	374.00
Dec	387.50		386.00 385.00
Mar	387.00		386.00 385.00

Turnover: Raw 2649 (5902)lots of 50 tonnes. White 1093 (1370).
Paris- White (FFr per tonne): Dec 2490, Mar 2485, May 2485, Aug 2515, Oct 2405, Dec 2845.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	10.12	18.22	18.18 18.11
Dec	17.95	18.02	17.98 17.95
IPE index	18.29	18.25	

Turnover: 4052 (5273)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	173.25	170.75	173.25 170.25
Nov	171.25	169.25	171.50 169.00
Dec	169.50	167.70	169.70 168.00
Jan	167.75	166.00	166.00 166.25
Feb	164.50	162.50	164.50 163.00
Mar	160.50	159.00	160.50 160.50
Apr	157.00	155.50	157.75 157.00

Turnover 3495 (10323)lots of 100 tonnes

TEA
There were 16,450 packages on offer at this weeks auction, including 800 offshore, reports the Tea Brokers' Association. An active and more widespread demand prevailed. Assams met improved competition and realised very firm rates. Bangladesh teas were well supported at price levels which were fully firm on valuations. Africans attracted increased demand with prices showing further gains of 5-15p. The small selection of offshore teas was readily absorbed with bright liquoring descriptions dearer. Quotations: quality 220p (210p), medium 165p (159p), low medium 146p (140p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 16,925 tonne
Cash	1805-10	1800-5	1794	1794-6		
3 months	1763-5	1760-2	1770/1757	1755-7	1755-60	34,943 lots
Copper, Grade A (£ per tonne)						Ring turnover 43,000 tonne
Cash	1868-9	1822-4	1868/1830	1830-1		
3 months	1869-70	1825-6	1871/1837	1839-40	1862-3	72,008 lots
Lead (£ per tonne)						Ring turnover 10,700 tonne
Cash	458-8	457-7.5		456-7		
3 months	459-60	458-8.5	463/457	457-8	463-4	12,842 lots
Nickel ($ per tonne)						Ring turnover 1,076 tonne
Cash	10800-25	10350-90	10500/10425	10475-500		
3 months	10300-50	10150-75	10300/10201	10225-50	10425-50	5,957 lots
Tin ($ per tonne)						Ring turnover 285 tonne
Cash	8375-400	8470-80		8360-80		
3 months	8375-400	8470-80	8400/8370	8370-400	8380-85	5,573 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,975 tonne
Cash	1665-70	1665-7	1663/1650	1662-3		
3 months	1600-5	1665-6	1670/1655	1664-5	1663-5	14,154 lots
Zinc ($ per tonne)						Ring turnover 3,575 tonne
Cash	1615-20	1600-10	1615	1611-2	1610-20	
3 months	1600-5	1590-600		1590-5	1600-5	4,625 lots

LME Closing £/$ rate:
SPOT: 1.5775 3 months: 1.5538 6 months: 1.5289 9 months: 1.5110

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	137.3	138.0	139.0 137.5
Apr	211.0	212.0	212.9 210.0
May	240.0	237.0	238.0 236.0

Turnover 268 (118) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Dec	140.50		140.50
Apr	143.00	143.00	143.00

Turnover 28 (75)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Oct	1520	1529	1529 1520
Nov	1600	1601	1601 1593
Jan	1621	1625	1625 1620
Apr	1645	1651	1650 1645
Jul	1414	1412	1415 1410
BFI	1470	1468	

Turnover 189 (660)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	108.75	108.05	108.80 108.30
Jan	113.25	112.50	113.25 112.85
Mar	116.50	115.85	116.60 116.10
May	119.65	119.00	119.70 119.25
Jun	121.10	120.50	121.20 120.78
Barley	**Close**	**Previous**	**High/Low**
Nov	106.55	106.30	106.75 106.40
Jan	110.55	110.25	110.70 110.50
Mar	113.70	113.50	113.80 113.65
May	115.50	115.20	115.50 115.50

Turnover: Wheat 475 (342), Barley 145 (441).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	135.0	135.0	134.0
Nov	136.0	135.8	136.0
Feb	123.5	123.0	
Apr	124.0	124.0	124.0
Jun	122.0	123.0	121.0

Turnover 11 (25) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	362¾-363¼	230-230½
Opening	363½-364	225½-227
Morning fix	362.95	228.715
Afternoon fix	362.90	228.975
Day's high	363½-364	
Day's low	362½-363	
Coins	**$ price**	**£ equivalent**
Mapleleaf	372-377	236-239
Britannia	372-377	236-239
US Eagle	372-377	236-239
Angel	372½-377½	236-239
Krugerrand	362-365	229½-231½
New Sov.	85¼-86¼	54-54¾
Old Sov.	85¼-86¾	54-54¾
Noble Plat	492.35-500.18	310.55-315.45
Silver fix	**p/fine oz**	**US cts equiv**
Spot	324.60	513.00
3 months	336.78	524.40
6 months	349.10	535.70
12 months	372.60	558.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	106	104	10	44
1800	41	55	44	93
1900	11	25	118	161
Copper (Grade A)	**Calls**		**Puts**	
2800	180	189	28	96
2900	113	137	61	142
2950	64	97	111	199
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
600	72	74	6	19
650	34	45	18	40
700	11	25	42	70
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	83	62	29	44
750	56	40	52	72
800	35		01	
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1600	37	55	41	
1650	15	36		
1900	6	22		

US MARKETS

MOST MARKETS featured very *inactive* sessions, as holidays kept *many* away, reports Drexel Burnham Lambert. In the metals, gold, silver and platinum were lower for most of the day reflecting a firm U.S. dollar. Copper advanced on fund buying but also with very light volume. In the softs, sugar posted a *modest* rally as trade buying lifted prices. Coffee and cocoa trading were both dull. All of the grains drifted lower with light volume seen. The livestocks had lower prices in bellies as technical selling pressured the futures. Hogs gained as packer cutout margins are in black. Cattle trading was mixed. Cotton prices fell as commission houses were the best sellers. Expiration of the October *futures was uneventful. The energy* complex was only local participants.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	363.1	363.7	363.2	362.6
Nov	365.5	366.2	0	0
Dec	367.4	368.2	368.0	366.3
Feb	371.4	372.2	371.9	371.0
Apr	375.5	376.3	376.0	375.0
Jun	379.5	380.3	379.4	379.4
Aug	383.4	384.3	0	0
Oct	387.6	388.6	0	0
Dec	391.8	392.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	486.3	487.1	487.5	485.0
Nov	486.8	486.3	0	0
Jan	491.3	493.1	493.0	489.0
Apr	495.0	496.9	493.0	493.0
Jul	498.7	500.6	499.0	498.5
Oct	502.3	504.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	505.0	511.7	0	0
Nov	508.4	515.1	0	0
Dec	512.3	518.0	520.5	511.6
Jan	516.2	522.0	0	0
Mar	523.7	530.6	530.5	523.5
May	531.2	538.4	538.0	532.0
Jul	538.9	546.3	545.6	538.0
Sep	546.7	554.3	553.0	549.0
Dec	557.9	565.8	565.8	558.0
Jan	561.6	569.7	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 8	Oct 5	mnth ago	yr ago
1865.3	1868.9	1914.9	1865.4

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.82	129.48	129.46	132.40
Futures	130.68	130.98	130.62	136.58

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	134.85	134.95	0	0
Nov	133.60	133.06	0	0
Dec	131.60	131.40	132.90	130.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	19.86	19.87	19.89	19.80
Dec	19.72	19.66	19.76	19.62
Jan	19.50	19.45	19.51	19.44
Feb	19.32	19.27	19.32	19.26
Apr	18.96	18.99	19.00	18.85

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	5840	5818	5845	5805
Dec	5880	5863	5900	5845
Jan	5835	5810	5835	5785
Mar	5460	5460	5460	5460
Apr	5265	5250	5265	5260
May	5155	5095	5155	5090
Jul	5000	4950	5000	4990

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1007	1005	1017	998
Mar	1012	1017	1023	1004
May	1025	1030	1030	1021
Jul	1042	1050	1050	1040
Dec	1091	1099	1100	1092
Mar	1120	1128	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	68.72	70.39	70.80	68.50
Mar	71.25	72.72	72.72	71.00
May	73.00	74.46	74.40	72.75
Jul	75.25	77.01	77.00	74.85
Sep	77.80	79.25	79.00	77.25
Dec	80.76	82.50	01.50	81.00
Mar	83.75	85.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.44	13.30	0	0
Mar	13.76	13.61	13.85	13.61
May	13.55	13.41	13.60	13.43
Jul	13.38	13.19	13.40	13.23
Oct	12.99	12.80	13.00	12.82
Mar	12.75	12.54	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.68	76.00	75.70	74.50
Dec	73.86	75.15	74.85	73.58
Mar	74.99	76.10	75.70	74.68
May	75.75	76.72	76.00	75.40
Jul	75.57	76.55	76.10	75.30
Oct	69.77	70.18	70.00	69.70
Dec	66.77	67.28	67.00	66.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	135.70	136.65	137.20	135.60
Jan	131.00	130.75	131.75	130.50
Mar	130.60	130.65	131.00	130.00
May	130.60	130.30	130.60	130.60
Jul	130.50	130.40	0	0
Sep	130.40	130.25	0	0
Nov	130.40	130.25	0	0
Mar	130.40	130.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	566/6	567/4	566/0	556/0
Jan	568/4	578/6	577/0	568/0
Mar	581/0	592/6	590/0	580/4
May	590/6	601/6	599/0	580/4
Jul	597/0	606/6	605/0	597/0
Aug	594/0	603/2	602/4	594/0
Sep	580/4	588/0	587/0	580/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.18	18.44	18.42	18.12
Dec	18.54	18.80	18.84	18.52
Jan	18.79	19.00	19.05	18.75
Mar	19.24	19.44	19.45	19.15
May	19.60	19.88	19.81	19.55
Jul	19.95	20.25	20.21	19.90
Aug	19.99	20.30	19.98	20.00
Sep	20.02	20.32	20.00	20.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	188.7	190.7	190.3	188.5
Dec	181.9	184.5	183.9	181.8
Jan	180.5	182.7	182.3	180.2
Mar	179.1	180.9	180.5	179.0
May	178.3	179.7	179.5	178.2
Jul	176.8	178.3	178.0	176.8
Aug	176.0	177.0	177.0	176.0
Sep	175.5	176.0	176.5	175.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	235/0	238/6	238/0	234/6
Mar	242/0	245/4	244/4	241/6
May	247/2	251/0	249/4	247/0
Jul	249/0	253/0	252/0	248/6
Sep	241/0	244/0	243/0	241/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	408/2	411/4	411/0	408/0
Mar	402/2	407/2	407/6	402/0
May	365/0	369/2	369/2	365/0
Jul	354/6	357/6	357/0	353/4
Sep	359/4	363/4	359/4	359/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.95	71.67	72.05	71.65
Dec	73.82	73.85	74.00	73.40
Feb	73.85	73.70	74.00	73.45
Apr	74.17	74.27	74.40	73.95
Jun	71.62	71.57	71.75	71.35

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	46.60	46.15	46.65	45.90
Dec	45.42	44.92	45.47	44.75
Feb	45.97	45.37	46.00	45.25
Apr	43.37	43.12	43.47	43.00
Jun	48.00	47.95	48.00	47.70
Jul	48.20	48.22	48.22	47.97
Aug	46.90	46.82	46.90	46.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	46.57	47.12	47.27	46.25
Mar	46.37	46.95	47.00	46.02
May	46.97	47.45	47.47	46.75
Jul	46.65	47.12	47.50	46.55
Aug	44.77	45.37	45.55	44.77

LONDON STOCK EXCHANGE

Sterling's fall sends equities reeling

THE SUDDEN collapse in sterling to below DM 3.00 dealt a fresh and brutal blow to confidence in the London equity market yesterday. Share prices were struck lower from the opening and attempts to steady at the FT-SE 2,250 mark merely tempted out a few more sellers. The market closed very near the day's low with a loss of more than 30 points on the Footsie Index. Turnover was a modest 425.8m shares.

Sterling's heavy fall, which began in the Far East and largely preceded the opening of the London equity market after the weekend, presented the City of London with two new causes for dismay. It raised the spectre of yet another rise in domestic interest rates in an equity market barely recovered from the shock of last week's move up to 15 per cent base rates; with the Conservative Party Conference opening this morning, it also raised the probability of internal pressures within the Thatcher Government and from its supporters.

Account Dealing Dates			
*First Dealings:	Oct 2	Oct 16	Oct 30
Option Declarations:	Oct 12	Oct 26	Nov 9
Last Dealings:	Oct 13	Oct 27	Nov 10
Account Day:	Oct 23	Nov 6	Nov 20

*New time dealings may take place from 9.00 am two business days earlier.

The FT-SE Index ended the day at 2,247 with some traders asking themselves whether it would continue to fall towards the 2,200 mark predicted by a number of equity analysts. Concern that the latest hike in interest rates could tip the UK economy into recession was heightened by a depressing survey of industrial opinion by Dun & Bradstreet, the market and business data group. From within the London market, Kleinwort Benson commented: "Higher interest rates have clearly increased the risk of recession."

Interest rate pressures were heightened as the Halifax Building Society raised its mortgage rates by one percentage point, a move which, while not unexpected, will add significantly to the squeeze on consumer spending. There was further selling of store and retail issues as investors sensed a hard Christmas season ahead for stores which make a substantial part of their profits in December.

Yesterday's sharp fall in the Sterling Exchange Rate Index began to re-awaken the market's fears of a full-blooded sterling crisis. However, interest rate fears were soothed by a relatively steady performance from London money markets.

Also helping to curb London's woe was the absence of pressure from New York, in low gear yesterday for Columbus Day. European markets, which have responded with more resilience to the round of interest rate increases, were again in better form than London.

There were also further signs in London of a move into the good class international equities which are less exposed to domestic pressures than home-based operators. Shell and Unilever were prominent among such blue chip issues to continue building a sound base for a recovery.

FINANCIAL TIMES STOCK INDICES

	Oct 9	Oct 6	Oct 5	Oct 4	Oct 3	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.18	84.61	84.14	84.16	84.59	88.02	89.28 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.00	95.21	95.01	95.09	95.19	97.01	99.59 (15/3)	95.00 (9/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1822.9	1857.5	1868.2	1890.2	1899.3	1490.3	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	208.2	208.0	208.2	209.4	208.9	177.3	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2247.0	2277.5	2281.6	2312.1	2318.6	1844.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.48	4.40	4.38	4.32	4.30	4.84				
Earning Yld %(full)	10.75	10.57	10.53	10.36	10.30	11.70				
P/E Ratio(Net)(☆)	11.20	11.40	11.44	11.63	11.70	10.35				
SEAQ Bargains(5pm)	28,768	27,459	25,078	25,109	25,346	24,941				
Equity Turnover(£m)†	-	1046.40	924.67	955.73	882.62	853.21				
Equity Bargains†	-	26,553	24,653	25,479	25,098	26,212				
Shares Traded (ml)†	-	397.7	408.0	410.8	409.1	407.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.09

Ordinary Share Index, Hourly changes — Day's High 1844.9 — Day's Low 1819.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1842.6	1833.1	1828.4	1830.9	1832.4	1832.1	1828.1	1821.5

FT-SE, Hourly changes — Day's High 2265.2 — Day's Low 2242.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2262.8	2254.5	2251.3	2253.2	2255.1	2254.8	2251.8	2244.8

GILT EDGED ACTIVITY

Indices*	Oct 6	Oct 5
Gilt Edged Bargains	98.5	86.9
5—Day average	83.3	81.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	5,180	167	-7	Courtaulds	708	344	-11	LASMO	993	582	-1	Saatchi & Saatchi	4,080	349½	+9½
Abbey National	2,800	147½	-½	Dalgety	337	413	-11	Laporte	3,000	266	-7	Sainsbury	1,000	259	-6
Allied-Lyons	2,000	506	-9	Dixons	3,500	126	-5	Lucas	797	643	-14	Scott & Newcastle	1,500	372	-3
Amstrad	1,400	63	-1	Eng. China Clays	193	434	-8	MB Group	898	199	-7	Sears	2,100	112	-2
Argyll Group	2,500	217	-4	Enterprise Oil	138	590	+2	MEPC	456	524	-14	Sedgwick	166	265	-2
Ass. Brit. Foods	538	396	-7	Fisons	327	334	-7	Marks & Spencer	3,000	187	-2½	Shell Transport	2,500	440½	+5
BAA	4,200	335	-5	General Accident	711	1048	-5	Maxwell Comm.	1,480	282	-4	Siebe	215	503	-4
BAT Inds.	590	845	-5½	General Elect.	4,400	229	-6	Mecca Leisure	271	176	-2	Slough Ests	585	329	-10
BET	1,480	265	-13	Glaxo	1,100	1455	-14	Midland Bank	320	357	-7	Smith & Nephew	1,400	137	-1½
BICC	272	476	-7	Globe Inv.	252	184½	-2½	Nat. West. Bank	2,900	322	-3	Smithkline Beecham	1,450	557	-2
BOC	527	482	-6	Glynwed Int.	635	254	-4½	Next	2,600	98	-3	Smiths Industries	418	271	-11
BPB Inds.	5,400	233	-5	Granada	301	323	-6	Northern Foods	192	313	-4	Standard Chartered	384	523	-3
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Burmah Oil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Carlton Comm.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commercial Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Costain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Second thoughts on Jaguar

There was no stopping Jaguar from once again taking centre stage in the motors and engineering sector. Weekend press suggestions that General Motors might take a stake knocked Jaguar shares back sharply as the London market took the view that such a development might drive away Ford. Volume quickly expanded to 10m shares as UK profit-takers found ready buyers at US broking houses.

Jaguar's formal acknowledgement that it was in talks with GM over joint ventures and a possible minority stake in Jaguar came shortly after the market closed. Jaguar shares ended 46 lower at 685p, with prices drifting weaker in after hours trading.

Dealers said the market feared an agreed GM stake might persuade Ford, which has said it wants to take 15 per cent of Jaguar, to back away from an auction for the UK luxury car maker.

However, analysts and marketmakers were divided about whether sellers had been more astute than buyers. One dealer insisted that "the market has come to its senses." But Mr Gavin Launder, analyst at Kleinwort Benson, could not see how Jaguar and General Motors could tie up a friendly deal without shareholder approval. "Shareholders are unlikely to want to block possible higher bids."

Burmah strong

Among a small number of Footsie stocks showing a gain on the session, Burmah Oil stood out with a steep rise amid market talk that a stake-building operation could be in motion as a possible prelude to a full bid.

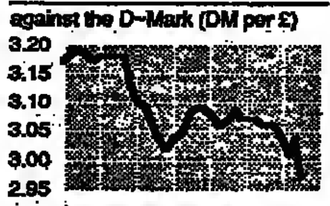
Another story was that Burmah might be gearing up to launch a bid for Calor and would help finance this by selling its near 30 per cent stake in Premier Consolidated Oilfields.

Dealers and spacialists pointed out that neither of these stories was new and that both had been given a good airing in the past few months, "with nothing coming of either of them."

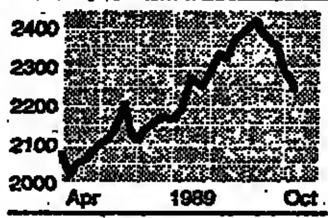
Burmah shares were up and running at the outset, helped by a couple of recent positive notes on tha stock, notably from Hoare Govett and Citicorp Scringeour Vickers. Buying gathered pace, however, when a 505,000 block was recorded on the Seaq ticker, although it was later revealed as a trade reporting error which should have read a 50,000 shares.

Sterling

against the D-Mark (DM per £)



FT-SE 100 Index



Citicorp, which is said to have built a 4 per cent-plus stake in Burmah for SHV, the Dutch group, in past months, were seen to be keen buyers of Burmah yesterday, leading to talk that it was adding to its stake of 7.8m shares. Burmah closed 18 higher at 619p, after 621p, while Calor jumped 10 to 415p. Premier eased a penny to 100¾p.

Stores had a grim day as the weak sterling raised the spectre of yet another interest rate rise. The more speculative issues fell steeply, and even Marks & Spencer, acknowledged to be the most defensive stock in the sector, slipped 2¼ to 187p.

Tesco closed unchanged at 198p and remained the sector's favourite defensive stock. Analysts at Kitcat & Aitken recommended investors add to their holdings of Tesco as they believa it is set to assume Sainsbury's mantle as the industry leader in the 1990's. The defensive nature of the food retailing sector helped most of the larger companies avoid the sharp losses of the rest of the market. Sainsbury's closed 6 lower at 259p, while Argyll eased 4 to 217p and Asda fell 7 to 167p. Unilever recorded the second largest rise on the stock market yesterday, boosted by sterling's fall, particularly against the DMark. "With 82 per cent of Unilever's profit's coming from overseas and a large part of that coming from Europe sterling's decline was good news for Unilever," said Mr David Shaw of Laing & Cruickshank.

Dealers spoke of US buying of both Dutch and UK Unilever shares and light arbitrage buying, as boldars of Unilever's Dutch shares moved into the cheaper UK shares. Mr Carl Short of Kitcat & Aitken said Unilever's UK shares were trading at an 8.5 per cent discount to their Dutch counterparts. "Historically, that is quite a big discrepancy and the arbitrageurs appear to be realising it," he said. Unilever closed up 9 at 649p.

Among the rest of the food manufacturing sector, waning bid speculation depressed some shares. Dalgety dropped 13 to 413p, and United Biscuits fell 10 to 362p, though RHM closed unchanged at 440p.

Cadbury Schweppes fell back on news that General Cinema, the US group which holds a 16.9 per cent stake, was set to join the bidding for Saks Fifth Avenue, part of the retail group that has been put for sale by BAT. Dealers said the market had assumed that General Cinema would probably sell its Cadbury's stake to buy Saks.

However, Cadbury's shares stabilissd after it was announced that General Cinema had taken up all the shares offered to it in a recent Cadbury's rights issues. Although some traders said this meant a bid by General Cinema could not be ruled out analysts argued that General had moved to ensure its holding was not diluted, thereby maintaining a strategic holding in Cadbury. Cadbury closed down 12 at 379p.

Guinness was one of only six FTSE 100 stocks to show an improvement. Positive weekend press comment on its stake in French drinks and luxury good group LVMH helped, as did the awareness that only 20 per cent of Guinness earnings come from the UK thus providing some insulation against an economic hard landing. "Guinness is the hedge in the sector," said Mr Neill Junor, analyst at County NatWest WoodMac, "and it is well placed to expand in the Far East." Guinness finished 5 up at 602p.

Grand Metropolitan was particularly weak after press coverage highlighted its high borrowings and hence vulnerability to high interest rates. The shares closed 13 off at 572p.

A 40 per cent improvement in full-year profits from TIP Europe did not inspire the market. The shares fell 6 before recovering some ground to close 4 worse on balance at 169p.

Yesterday's tea auctions in London showed another sharp rise in wholesale price. Tea prodncer share prices benefited, with overseas trader James Finlay steady at 130p and plantation operator Chillington e penny firmer at 182p.

Mr Stephen Quayle, analyst at Sheppards, said that tea shortages had arisen in the wake of civil unrest in Sri Lanka, Chernobyl's effect on Georgian prodnction, which had brought the Soviet Union to the London market as buyers for the first time in years, and the uncertainty surrounding the outcome of the Indian general election expected in December.

The clearing banks were lower across the board albeit in thin trading. Irish banks were bolstered by the exchange rate and a recent positive note on the Irish banks from a Dublin broker, according to dealers. Allied Irish moved up 6 to 194p and Bank of Ireland 8 to 247p.

Shell extended their good run, adding a further 5 at 440½p on turnover of 2.5m. Dealers said there had been more switching out of Royal Dutch into Shell. Additionally, s leading agency broker was said to have hosted a lunch for the company yesterday. Enterprise were said to have been propped up by the £200m cash cash mountain, the shares edging ahead to 590p.

Details of Eurotunnel's predictions of higher revenues from the Channel tunnel left the shares another 40 off at 528p. "Not much to do with the new forecasts," said one analyst, "there is very little rational ahont the hehaviour of Eurotunnel's share price."

BZW changed its recommendation for British Steel from a weak buy to a hold. But this reflected a tightening up of recommendation policy at the securities house. "We will only be recommending buy, hold, or sell under the current action heading," said a BZW analyst. As well as the recommendation change, BZW increased its profit forecasts for this year to £670m from £635m, but cut next year's to £620m from £635m. Nevertheless, it fell more than twice as sharply as the FTSE 100 index, ending 4 lower at 128¼p on good volume.

The construction, contracting and building materials areas were among the market's worst sufferers, reflecting their exposure to interest rate levels.

In the housebuilders Costain dropped 14 to 307p, Wimpey 8 to 338p and Taylor Woodrow 9 to 276p. Beazer attracted a surge of selling pressure, and settled 7 off at 146p.

Saatchi and Saatchi continued Friday's strong advance, closing 9½ up at 349½p. Turnover was once again strong at 4m shares. Attention switched from the possibility of a Swiss predator to Italy. Mr Silvio Berlusconi, the media entrepreneur, was said to have been stakebuilding. News that Mr Berlusconi controlled a 1 per cent staka in the company came too late to affect trading.

The fact that US investors are persistent bnyers of Saatchi also helped buoy the stock, as it did for Reuters, 4 better on 950p.

United Newspapers newspapers weakened in the absence of any news of a mnch rumoured bid from Mr Conrad Black, the Canadian entrepreneur. United lost 17 to 443p.

A downgrading of motor distributor Lex Service from UBS Phillips & Drew hit the shares hard. They fell 23 to 324p.

The list of UK, European and US companies said to be taking a long hard look at Ferranti, the troubled defence electronics group, was said by dealers to have grown longer yesterday. Turnover in Ferranti shares totalled 13m, with the share price edging up ¼ to 59½p. Ferranti's re-convened annual meeting is being held at 12.15 pm today.

Dealers were trying to pinpoint the identities of the recent big buyers of Ferranti shares. There was speculation yesterday that a merger of Ferranti with the defence electronics subsidiaries of Racal Electronic and Thorn EMI could be on the cards and that Racal may have bought Ferranti shares in the market. Racal Electronic dipped 5 to 234p. British Aerospace, reported in the weekend Press as considering a joint bid with Thomson-CSF of France for Ferranti, is thought to have picked up a 2.5 per cent holding in Ferranti last week with other big buyers said to have been in the market, possibly building smaller share stakes. British Aerospace was weak as dealers considered how much the company might have to pay to help rescue Ferranti. The shares bottomed a shade above £6 before closing 16 down on the day at 604p.

Shares in Reg Vardey, the multi-franchise car dealer, made an encouraging debut, despite the widespread gloom elsewhere in the market.

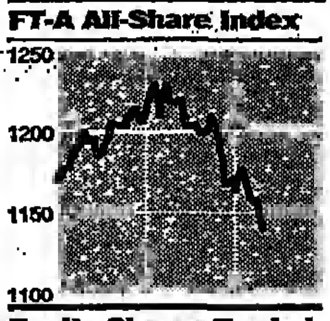
Calculation of the FT Indices of daily Equity Bargains and Equity Value, and of the five-day averages of Equity Bargains and Equity Value, was suspended on July 31. The International Stock Exchange, the source of our data for these indices, has altered the basis of its reporting of equity transactions, making it impossible to resume the previous series.

Calculation of the FT Index of daily Gilt Edged bargains and of the five-day average of Gilt Edged bargains will continue as before.

Closing values of the discontinued series are available on request FT Prices 873-4007.

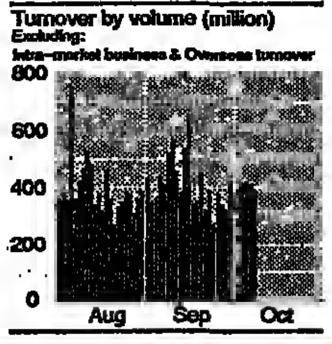
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (53).
BRITISH FUNDS (1) LOANS (1) AMERICANS (11) CANADIANS (2) BANKS (2) CHEMICALS (1) STORES (1) ENGINEERING (3) HOTELS (2) INDUSTRIALS (2) BTR Nylex, Grafton Grp., INSURANCE (4) PAPERS (1) PROPERTY (1) SOUTH AFRICANS (1) TRANSPORT (1). TRUSTS (16) OILS (2) MINES (1).
NEW LOWS (226).
BRITISH FUNDS (17) LOANS (2) BANKS (1) BREWERS (1) BUILDINGS (23) CHEMICALS (5) STORES (12) ELECTRICALS (18) ENGINEERING (12) FOODS (4) HOTELS (3) INDUSTRIALS (45) Aaronson Bros., Amberley, Avon Rubber, BLP, Barlow, Beaverco, Beazer, Benlox, Bibby (J.), Black (P.), Bridport Gun., Burndene, Cannon St. Inv., Campbell & Armstrong, Cent. Sherwood, Chelsfield, Colorol, Corton Beach, Cowan de Grt., Creighton Nat., Dauphin, Eng. China Clays, Fenner (J.H.), Harris (Ph.), Hyman, Kalon, Metal Clos., Minty, Nororos, Pergamon, Sale Tilney, Savage, Scot. Hert. Tst., Select. Appointments, Sycamore, TLS Range, Tubular Exhibs., Utd. Guar., Walker Greenbank, Wassall, West Inds., Whittington, Willis, Worcester, Yale & Valor, LEISURE (6) MOTORS (13) NEWSPAPERS (2) PAPERS (13) PROPERTY (20) SHOES (1) TEXTILES (4) TOBACCOS (1) TRANSPORT (2) TRUSTS (6) OILS (4) OVERSEAS TRADERS (1) MINES (2) THIRD MARKET (3).

APPOINTMENTS

Albert Fisher top US post

ALBERT FISHER HOLDINGS, the fresh produce distributor and processed foods supplier, has appointed Mr Keith Brackpool to the newly-created post of chief executive officer for its North American operations, *writes Clay Harris.*

Mr Brackpool is chairman and chief executive of Pacific Agricultural Holdings, a Nasdaq-traded California farming and land company in which Fisher owns a 25 per cent stake. He will remain on the US company's board.

Until now, the three regional chief executives of Fisher's North American operations have reported directly to Mr Tony Millar, chairman. The businesses in question have annual sales of £700m and account for about 40 per cent of group profits.

Changes at Barclays Bank

Mr Alastair Robinson *(left)* director personnel, BARCLAYS BANK, is to become executive director, UK operations, from April 16 1990, on the retirement of Mr Owen Rout. Mr Geoff Miller *(centre)* director UK banking, takes on the additional responsibility of deputy to Mr Robinson. Mr Bill Gordon *(right)* director UK corporate services, becomes director personnel on April 16. He is chairman of Barclays commercial services and on the board of the mercantile group.

■ SMITHS INDUSTRIES has appointed Mr Graham Thornton as marketing director in its aerospace group. He was previously managing director of Dowty Smiths Industries Controls.

■ Mr Alan Fort has been appointed finance director of UNITED TRANSPORT TANKERS EUROPE, a division of United Transport Europe. He was an analyst at United Transport International's corporate head office.

■ Mr Michael Schofield has been made group managing director for YALE SECURITY INC's European operation. He will be responsible for Yale Security Products in the UK and operations in Italy and Sweden. Mr Schofield was managing director of Hattersley Newman Hender, a Tomkins Group company.

■ Mr Alastair Villiers has been appointed managing director of MATHESON SECURITIES. He was previously managing director of Schroder Securities.

■ Mr Richard Simkin has been appointed managing director of BEAZER VENTURES. He joins from Countryside Properties.

■ Mr Stephen R. Collins has joined the GAINSBOROUGH GROUP as financial director. He was corporate finance manager with Touche Ross in Manchester.

■ POLAMCO has appointed Mr Tim Chessells as a non-executive director. He was a partner at Arthur Young.

Chief executive of Vosper Thornycroft

■ Mr Martin Jay has been appointed managing director and chief executive of VOSPER THORNYCROFT HOLDINGS. Mr Peter Usher, who has been managing director for the past eight years, assumes the role of deputy chairman. Mr Jay joins from GEC Electronic Devices.

■ At SKANDINAVISKA ENSKILDA BANKEN, London, Mr Roger Meachem has been made vice president and head of credit. He was previously with Scandinavian Bank Group.

■ Former ICL executive, Mr Brian McGregor, has been appointed chief executive of WHITE HORSE OFFICE SYSTEMS, an office automation company.

■ Mr Ben Rowe has become actuary in addition to his duties as a director of CANNON ASSURANCE. Mr David Martin has been appointed corporate development director. He retains his position as vice president of Lincoln National Corporation, the parent company.

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AUTHORISED UNIT TRUSTS

Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	17.44	17.57	18.70	+0.21	0.00
Pacific Basin	5	31.19	31.19	33.18	[illegible]	0.40
Can Balanced Gwth ♦	5	53.95	53.95	57.39	+1.46	0.10
Classic Blue ♦	4	0.9792	0.9792	1.0157	[illegible]	7.65
Penny Share	5¼	29.82	29.82	31.72	.....	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	136.8	138.5xd	147.3	-1.0	4.79
Wellington Growth	5¼	224.0	226.1xd	240.6	+0.8	1.15
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 290492						
Wessex UK Gwth	4½	111.7	116.7	120.6	-0.9	2.42
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger & F.	2¼	59.38	60.26	61.79	+1.96	0.27
Short Dtd Gilt ♦ F.	1¼	81.08	81.14	82.17	+0.06	6.99
OS Conv. Bond ♦ F.	1¼	5.5720	.5720	.5795	[illegible]	0.00
Willis Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust. Friars W'wide	5	202.1	204.5	217.8	.....	2.42
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Combd & Equity	5	63.46	65.58	69.76	-0.25	4.79
European	5	78.75	79.05	84.09	+1.02	0.69
Far Eastern	5	62.11	70.22	74.70	+1.18	0.58
Growth Inc	5	82.77	86.28xd	91.76	-0.09	1.47
Growth Acc	5	82.94	86.33xd	91.83	-0.10	1.47
Income Inc	5	81.27	83.75xd	89.09	-0.12	4.77
Income Acc	5	81.37	83.85xd	89.19	-0.13	4.76
Property Share	5	51.22	51.22	54.59	-1.06	1.04
Smaller Co's	5	53.92	53.92xd	57.47	-0.75	1.65
Nth American	5	70.02	70.02	74.88	+1.13	1.47
International	5	51.63	51.63	55.22	+1.13	1.47
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Int'l Growth	5	115.07	115.07	121.13	.....	1.87
UK Growth	5	93.79	93.79	98.72	.....	3.04
UK Income	5	95.61	95.61	100.64	.....	4.47
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Intl Fxd Int Fd Acc(z)	207.0	217.0	+0.2	—
Fixed Int Acc(z)	344.5	362.6	-0.6	—
Gtd Money Fd Acc(z)	240.6	253.2	+0.1	—
High Income Fd Acc(z)	120.2	126.5	—	—
Intl Man Fd Acc(z)	437.6	460.6	+4.7	—
Japan Fd(z)	314.1	330.6	+5.6	—
UK Smllr Co's Fd Acc(z)	118.0	124.2	-0.7	—
European Metro	121.6	127.9	+0.9	—
Global Metro	112.0	117.9	+1.6	—
Sunrise Metro	129.5	136.2	+1.5	—
UK Metro	111.5	117.3	-0.6	—
Nth American Fd Acc(z)	220.5	232.0	+2.8	—
Pac Basin Fd Acc(z)	168.4	177.2	+2.0	—
Prop Fd Acc(z)	351.2	369.6	+0.1	—
Millennium	100.0	105.2	-0.3	—
Multiple Inv Acc(z)	737.6	776.4	+2.0	—
Pension Funds				
Brit. Blue-Chip Acc(z)	156.5	164.7	-0.1	—
Eq Pen Fd Acc(z)	2097.5	2207.9	-6.1	—
Euro Fd Acc(z)	374.1	393.0	+6.7	—
Fixed Int. Acc.(z)	712.7	750.2	-1.2	—
Gtd Money Pn Acc(z)	439.7	462.8	+0.4	—
High Interest	149.0	156.8	+0.2	—
High Income Fd Acc(z)	127.3	133.9	-0.1	—
Intl Man Fd(z)	679.2	714.9	+9.9	—
Jap Pen Fd Acc(z)	450.6	474.3	+11.3	—
UK Smllr Co's Fd Acc(z)	125.3	131.8	-1.0	—
European Metro	135.5	142.6	+1.4	—
Global Metro	120.9	127.2	+2.4	—
Sunrise Metro	147.9	155.7	+2.4	—
UK Metro	120.0	126.3	-0.8	—
N Am Pn Fd Acc(z)	282.0	296.7	+6.0	—
Pac Basin Fd Acc(z)	205.8	216.5	—	—
Property(z)	621.4	654.0	+0.5	—
Mlple Inv Pens Acc(z)	1515.3	1595.0	+5.8	—
Broker Funds				
Prof. Pen. Fd.	99.9	105.2	+0.6	—
YRA Strategy	128.6	135.2	+1.6	—
YRA Performance	110.3	116.0	+0.9	—
Langhton Dollar (SE)	144.5	152.1	+1.7	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	267.5	281.6	+0.2	—
Equity Acc	895.2	942.4	-1.1	—

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	131.0	138.0	+3.0	–
Building Soc. Fd	174.0	184.0	.....	–
Balanced	290.0	306.0	.....	–
European	197.0	208.0	+5.0	–
GT Managed	194.0	205.0	+1.0	–
Gartmore Mngd	129.0	136.0	.....	–
German	144.0	152.0	+3.0	–
Gilt	181.0	191.0	−1.0	–
Global	50.0	53.0	.....	–
High Inc.	120.0	127.0	.....	–
International Equity	205.0	216.0	+3.0	–
Japan	277.0	292.0	+1.0	–
Managed	61.0	65.0	−1.0	–
Property	294.0	310.0	.....	–
S W Imperial Gold	156.0	165.0	.....	–
UK Equity	348.0	367.0	−5.0	–
Pension Funds				
American	153.0	162.0	.....	–
Building Soc. Fd	177.0	187.0	.....	–
Balanced	227.0	239.0	.....	–
European	194.0	205.0	.....	–
German	125.0	132.0	.....	–
Gilt	159.0	168.0	.....	–
International Equity	148.0	156.0	.....	–
Japan	150.0	158.0	.....	–
Managed	67.0	71.0	−1.0	–
Property	225.0	237.0	.....	–
UK Equity	324.0	342.0	−3.0	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Managed Fund	97.61	103.22	.....	–
Pensions Cash Fund	80.43	84.67	.....	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Grth Mngd	619.5	652.8	+1.7	–
Adventurous Mngd	134.9	142.2	+0.6	–
Secure Mngd	111.3	117.3	−0.1	–
Cash Fd	239.1	252.0	.....	–
Property Fund	295.3	314.2	.....	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

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CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37¾	24¼	Gen. Elect. 63c	37½	+½	$1.[illegible]	–	2.8
579p	460p	♥General Host Corp $1	489p	–2	[illegible]	–	3.9
39⅝	18¼	Gillette $1	38⅝	+1½	[illegible]	–	2.0
987p	601p	Gt American Bank Bk $1	781p	+1	[illegible]	–	1.6
23⅞	16⅞	Greyhound $1½	22⅞	+⅛	$1.[illegible]	–	3.8
14½	747p	Hasbro Inc 50c	14⅝	.....	[illegible]	–	0.7
57½	32¼	Honeywell $1½	52¼xd	+½	$2.[illegible]	–	2.5
22	14¼	Houston Inds.‖	21¼	+⅝	$2.[illegible]	–	8.6
76⅛	63⅛	IBM Corpn $1¼	60xd	+1	$4.[illegible]	–	4.5
60p	45p	♥Image Storage/R.Sys.1c	55p	.....		–	–
32½	18¾	Ingersoll-Rand $2	30⅛xd	+⅞	$1.[illegible]	–	2.5
33¼	22½	Lockheed Crpn. $1	30⅞xd	+¼	$1.[illegible]	–	3.7
22⅝	13⅛	Lone Star Inds $1	19⅛xd	–⅛	$1.90	–	6.2
27⅞	17½	Louisiana Land 15c	26⅛xd	+⅛	$1.00	–	2.4
20⅝	11¼	Lowe's 50c	20	.....	48c	–	1.5
28	15⅛	Manuf. Hanover $1	27⅞	+⅝	$3.28	–	7.4
22⅞	13⅛	Merrill Lynch $1	19⅛	+⅛	$1.00	–	3.2
2439p	1910p	Miplex Inc	2385p	+18	3.2c	–	–
30½	18½	Morgan (J.P.) $2½	30½xd	+1⅛	$1.66	–	3.5
112⅛	96⅞	Morris (Philip)	112⅛	+3⅛	$4.50	–	2.5
54½	36¼	NYNEX $1	52¼	+1¼	$4.36	–	3.2
44p	20p	N'wide Legal Serv.‖	28p	+1	–	–	–
24⅞	18¼	PH'H Corp. ‖	24	+⅛	$1.12	–	3.0
259p	179p	♥Pacific Agr.‖	204p	–8	–	–	–
27¼	19	Pacificorp $3¼	26¼xd	+⅝	$2.76	–	6.4
30¼	16⅞	Pacific Telesis 10c	28⅝	+½	$1.88	–	4.2
22⅝	15¼	Pall Corp. 25c	22⅝	+⅝	48c	–	1.3
55⅝	39⅛	Pennzoil 83 1/3c	51⅞xd	+⅞	$3.00	–	3.7
42¼	28½	Quaker Oats $5	39½	+½	$1.20	–	1.9
32⅞	23½	Rep NY Corpn $5	30⅛xd	+⅛	$1.28	–	2.7
16	11⅛	Rockwell Intl. $1	13¼xd	+⅛	78c	–	3.2
29½	22	Sears, Roebuck 75c	26⅞	–⅛	$2.00	–	4.7
36⅞	21⅝	Southwestern Bell $1	36⅞	+⅛	$2.60	–	4.5
27⅞	17⅛	Sun Co. Inc. $1	25xd	–½	$1.80	–	4.6
31¼	22⅛	TRW Inc. 62½c	29⅝	.....	$1.72	–	3.7
24⅞	14½	TW Services $5	23⅝	+⅛	10c	–	0.3
39⅞	26⅞	Tenneco $5	39½	+1	$3.04	–	4.9
35⅛	28	Texaco $6.25	33⅛xd	+⅞	$3.00	–	5.7
28⅛	21⅝	Texas Instr. $1	23⅝xd	–⅛	72c	–	1.9
117⅛	58⅝	Time Inc. $1	89½	+⅛	$1.[illegible]	–	0.7
19⅛	13⅛	TRINOVA Corp.	17⅝	–⅛	[illegible]	–	2.5
16½	16	USX $1	24⅛xd	–1⅛	$1.[illegible]	–	3.6
283p	126p	♥Unilab	268p	+20		–	–
36⅝	22½	Utd. Technologies	35⅝xd	+1½	$1.[illegible]	–	2.8
158p	128p	♥Utilitech Inc.	137p	–9		–	–
46½	31½	US West‖	46½	+½	$3.7[illegible]	–	5.1
41⅝	22⅝	Waste Management $1	40⅛	–⅛	[illegible]	–	0.9
20½	13½	Whirlpool $1	17⅞	+⅛	$1.1[illegible]	–	3.9
24½	16⅛	Whitman Corp.	19¼	–⅛	$1.[illegible]	–	3.5
46⅝	28⅝	♥Woolworth $3½	41⅛	–¼	$1.[illegible]	–	2.9

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
178p	129p	♥ASM Gold Corp ‖	161p	+9	–	–	3.2
26p	4½p	♥Abbot Energy Corp.	25p	.....	–	–	–
16½	902p	♥Amer. Barrick Res.	13⅞	.....	–	–	–
28p	10½p	♥Armeno	17⅝p	+1⅝	–	–	–
33¼p	8½p	♥Augmitto Expln.	18⅛p	+2¼	–	–	–
18⅞	12⅞	Bk. Montreal ‖	17⅛	+⅛	$2.12	–	6.7
10⅝	655p	Bk. Nova Scot.‖	960p	+14	92c	–	5.2
821p	599p	♥BC Gas $1	805p	+11	60c	–	4.0
23¼	17	BCE ‖	23¼	+1	$2.44	–	5.7
17	12½	♥Brascan‖	16⅝	+⅝	88c	–	2.9
228p	108p	♥Breakwater Res.	115p	+7	10c	–	4.7
17¼	11½	Can.Imp Bank‖	16⅛	.....	$1.24	–	4.1

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- § USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	96	......
Craig & Rose £1 γ	830	......
Finlay Pkg. 5p γ	78xd	......
Holt (Jos) 25p γ	1358	+5

Arnotts	450	......
Carrol (P.J.) γ	152	......
Hall (R. & H.)	178	......
Heiton Hldgs. γ	92	......
For Irish Ropes see IRG		
IRG	228xd	+3
United Drug	140	......

IRISH

Cap. 8½% Ln. 1991	£97¼	......
9pc Cap Ln. 1996	£98½	+½
Fin. 13% 97/02	£118	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	10
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	38
FNI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	10
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	50
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound falls below DM3.00

FEARS ABOUT the British economy, and the belief that another rise in bank base rates is not a viable policy at present, pushed sterling down sharply yesterday.

Sentiment on London's financial markets suggested that there are already considerable risks of the UK economy sliding into recession and that a further rise in rates could be more damaging than allowing a devaluation of the pound. If there must be a devaluation let it be done quickly, said dealers.

It was noted that despite sterling's fall of 5½ pfennigs and over 2¼ cents there was no pressure on the money market for another rise in base rates, with wholesale rates moving up only about 1/16 per cent.

It is also a difficult time for the Government, with the Conservative Party Conference starting in Blackpool today. Another rise in base rates appears to the City to be politically unacceptable at a time when a recent public opinion poll showed the Labour Party with a lead of 11 points over the Tories.

Mr Nigel Lawson, the Chancellor, speaks to the Conference on Thursday and will have a further opportunity to try to restore confidence in policy at his speech at the Mansion House on October 19.

Dealers regarded the method of intervention by the Bank of England yesterday as a significant signal that the authorities had changed policy and were no longer trying to defend a sterling level of DM3.00. The Bank made no attempt to support the pound by selling European Currency Units; all intervention yesterday was conducted via the dollar.

Last week, when the UK central bank was defending the pound against the D-Mark there was steady intervention to sell Ecus. Under the Group of Seven accord the Bank of England could not be seen selling D-Marks, at a time when the West German Bundesbank was supporting its currency against the dollar, but the UK authorities tried to provide some degree of assistance for the pound by selling Ecus.

Yesterday's slide below DM3.00 lead to speculation that sterling is unlikely to stop falling until the mid DM2.80's, and that this could be a fairly fast process. The amount of pressure on the pound was held in check by the closure of US banks for Columbus Day. A London trader said: "It would have been out of character for New York not to kick a currency when it's down."

Sterling fell 5.50 pfennigs to DM2.9750, the lowest closing level in London since mid-February 1988. It also lost 2.35 cents to $1.5790 and fell to Y225.25 from Y228.75; to SFr2.5975 from SFr2.6350; and to FFr10.1025 from FFr10.2800. The pound's index fell 1.6 to 89.8.

With New York trading at a much reduced level, and with attention focused on sterling, the dollar drifted quietly, falling to DM1.8845 from DM1.8915; to Y142.65 from Y142.80; and to FFr6.3975 from FFr6.4150, but rose slightly to SFr1.6455 from SFr1.6450. The dollar's index rose to 70.4 from 70.3.

£ IN NEW YORK

Oct.9	Latest	Previous Close
£ Spot	1.6055-1.6065	1.6045-1.6045
1 month	0.68-0.67pm	0.80-0.78pm
3 months	2.03-2.00pm	2.32-2.29pm
12 months	7.38-7.28pm	8.10-8.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.9	Previous
8.30 am	90.8	91.3
9.00 am	90.8	91.3
10.00 am	90.1	91.4
11.00 am	89.9	91.4
Noon	89.9	91.5
1.00 pm	89.7	91.3
2.00 pm	89.8	91.4
3.00 pm	89.7	91.4
4.00 pm	89.8	91.4

CURRENCY RATES

Oct.9	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.26733	1.44563
U.S Dollar	7	1.26636	1.09102
Canadian $	12.36	1.48987	1.28172
Austrian Sch.	6½	16.9072	14.4876
Belgian Franc	10¼	50.2935	43.2779
Danish Krone	10½	9.34574	8.01951
Deutsche Mark	6.00	2.40545	2.05842
Neth. Guilder	7.00	2.70368	2.32441
French Franc	10¼	8.10470	6.98141
Italian Lira	13½	1758.69	1506.80
Japanese Yen	3¼	180.203	155.633
Norway Krone	8	8.83033	7.61856
Spanish Peseta		152.310	130.409
Swedish Krona	9½	N/A	7.06705
Swiss Franc	6.00	2.09646	1.79472
Greek Drach.	20½	210.969	181.523
Irish Punt	-	0.888668	0.772783

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Oct.6

CURRENCY MOVEMENTS

Oct.9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.8	N/A
U.S Dollar	70.4	N/A
Canadian Dollar	105.0	N/A
Austrian Schilling	107.5	N/A
Belgian Franc	106.5	N/A
Danish Krone	104.3	N/A
Deutsche Mark	114.2	N/A
Swiss Franc	107.2	N/A
Guilder	111.2	N/A
French Franc	100.4	N/A
Lira	93.7	N/A
Yen	137.7	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.6

OTHER CURRENCIES

Oct.9	£	$
Argentina	1025.70-1039.20	650.00-655.00
Australia	2.0090-2.0115	1.2750-1.2760
Brazil	6.5140-6.5500	4.1300-4.1400
Finland	6.7715-6.7900	4.2920-4.2940
Greece	261.50-266.95	165.70-167.75
Hong Kong	12.3105-12.3235	7.8015-7.8035
Iran	114.90*	71.20*
Korea(Sth)	1068.00-1085.25	668.20-675.40
Kuwait	0.46840-0.47020	0.29620-0.29720
Luxembourg	62.55-62.65	39.60-39.70
Malaysia	4.2600-4.2660	2.6990-2.7010
Mexico	4098.05-4116.45	2597.00-2607.00
N. Zealand	2.6835-2.6895	1.7000-1.7030
Saudi Ar.	5.9210-5.9300	3.7500-3.7510
Singapore	3.0975-3.1045	1.9660-1.9680
S. Af (Cm)	4.2600-4.2710	2.7025-2.7075
S. Af (Fn)	6.0190-6.1360	3.8095-3.8835
Taiwan	40.30-40.40	25.50-25.55
U.A.E.	5.8060-5.8115	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2779	+1.93	+1.30	±1.5424
Danish Krone	7.85212	8.01951	+2.13	+1.50	±1.6419
German D-Mark	2.05853	2.05842	-0.01	-0.64	±1.1019
French Franc	6.90403	6.98141	+1.12	+0.49	±1.3719
Dutch Guilder	2.31943	2.32441	+0.21	-0.42	±1.5019
Irish Punt	0.768411	0.772783	+0.57	-0.06	±1.6689
Italian Lira	1483.58	1506.80	+1.57	+1.41	±4.0815
Spanish Peseta	133.804	130.409	-2.54	-2.48	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5745-1.6045	1.5785-1.5795	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 62.70-62.80. Six-month forward dollar 4.67-4.62pm. 12 Month 8.43-8.33pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5745-1.6045	1.5785-1.5795	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.70-39.80.

EURO-CURRENCY INTEREST RATES

Oct.9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8½-8⅜ per cent; four years 8½-8⅜ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	223.1	10.	2.572	3.332	2160	1.836	61.98
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	86.72	3.888	1	1.295	839.9	0.714	24.10
H Fl.	[illegible]	[illegible]	[illegible]	66.95	3.001	0.772	1	648.4	0.551	18.60
Lira	[illegible]	[illegible]	[illegible]	103.3	4.629	1.191	1.542	1000.	0.850	28.69
C $	0.539	0.852	1.605	121.5	5.448	1.401	1.815	1177	1	33.76
B Fr.	1.597	2.522	4.752	359.9	16.13	4.150	5.375	3486	2.962	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
89	[illegible]	[illegible]	[illegible]	[illegible]
90	[illegible]	[illegible]	[illegible]	[illegible]
91	[illegible]	[illegible]	[illegible]	[illegible]
92	[illegible]	[illegible]	[illegible]	[illegible]
93	[illegible]	[illegible]	[illegible]	[illegible]
94	[illegible]	[illegible]	[illegible]	[illegible]
95	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 957 Puts 435. Previous day's open int. Calls 16799 Puts 11556

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

[illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
140	[illegible]	[illegible]	[illegible]	[illegible]
145	[illegible]	[illegible]	[illegible]	[illegible]
150	[illegible]	[illegible]	[illegible]	[illegible]
155	[illegible]	[illegible]	[illegible]	[illegible]
160	[illegible]	[illegible]	[illegible]	[illegible]
165	[illegible]	[illegible]	[illegible]	[illegible]
170	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100%

[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX $500 times index

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

[illegible]

THREE MONTH STERLING £500,000 points of 100%

[illegible]

THREE MONTH EURODOLLAR $1m points of 100%

[illegible]

THREE MONTH EUROMARK DM 1m points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING $ per £

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series			Vol	Last	Vol	Last	Vol	Last	Stock
Gold C	[illegible]								
Gold C	[illegible]								
Gold P	[illegible]								
EOE Index C	[illegible]								
EOE Index P	[illegible]								
$/Fl C	[illegible]								
$/Fl P	[illegible]								
ABN C	[illegible]								
AEGON C	[illegible]								
AKZO C	[illegible]								
AMRO C	[illegible]								
BUHRMANN-T C	[illegible]								
DAF N.V. C	[illegible]								
N.V. DSM C	[illegible]								
Elsevier C	[illegible]								
Gist-Broc. C	[illegible]								
Heineken C	[illegible]								
Hoogovens C	[illegible]								
KLM C	[illegible]								
KNP C	[illegible]								
NEDLLOYD C	[illegible]								
NMB C	[illegible]								
Nat.Ned. C	[illegible]								
Philips C	[illegible]								
Philips P	Fl. 50	27	148	3	59	4.10	Fl. 49.50		
Royal Dutch C	Fl. 150	853	347	5.80	-	-	Fl. 147.20		
Royal Dutch P	Fl. 160	-	42	13	-	-	Fl. 147.20		
Robeco P	Fl. 110	40	0.10	-	-	-	Fl. 112.60		
Unilever C	Fl. 160	169	1.30	360	5.80	17	9.10	Fl. 158.30	
Unilever P	Fl. 160	117	2.50	172	5.50	-	-	Fl. 158.30	
Van Ommeren C	Fl. 35	58	1.20	33	3.30	4	4.30	Fl. 35.60	
Van Ommeren P	Fl. 35	38	0.30	11	1.70	19	2.50	Fl. 35.60	
Wessanen C	Fl. 85	7	0.70	93	4	-	-	Fl. 82.20	

TOTAL VOLUME IN CONTRACTS : 32,151

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates firm

AN UPWARD move in wholesale money rates in London reflected concern about the weakness of sterling. Similar conditions in Frankfurt were largely technical and were not accompanied by the same amount of nervousness.

Three-month sterling interbank rose to 15-14$\frac{15}{16}$ from 14$\frac{15}{16}$-14⅞ per cent, but suggestions that the UK authorities had given up the battle to hold the pound above DM3.00 meant that there was no strong pressure for another increase in bank base rates.

UK clearing bank base lending rate 15 per cent from October 5

West German call money rose to 7.95 from 7.85 per cent, leaving it only slightly below the Bundesbank's 8 per cent Lombard rate. The latest available figures on banks' reserve holdings look extremely high, at DM83.3bn on Thursday, against an expected average requirement for the month of about DM56bn.

This was because banks borrowed very heavily against their Lombard facilities, before Thursday's rise in official interest rates. Repayment of this money may have taken Friday's reserve figure down to as low as DM50bn, leading to a scramble for funds on the money market yesterday.

The Bank of England forecast a money market credit shortage of £150m, but revised this to £100m at noon. The authorities did not operate in the market to buy any bills, but provided late assistance of around £45m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £780m, with bank balances below target absorbing £220m. These outweighed Exchequer transactions adding £350m to liquidity and a fall in the note circulation of £505m.

In Paris the Bank of France tightened credit conditions by allocating only FFr59.8bn at yesterday's securities repurchase tender. This failed to completely offset FFr72.7bn draining from the banking system today, as previous pacts expire. The central bank satisfied 28 per cent of bids, at its new intervention rate of 9.50 per cent announced last Thursday.

On Liffe short sterling weakened as the pound fell, but finished above the day's low, as traders became increasingly sceptical that the UK authorities will sanction another rise in base rates. December delivery touched a low of 85.24 and closed at 85.32, compared with 85.41 previously.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.9) 3 months US dollars		6 months US Dollars	
bid 8¾	offer 8⅞	bid 8⅝	offer 8$\frac{13}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10½	One month	7.78	Three year	8.09
Broker loan rate	10	Two month	0.13	Four year	8.08
Fed. funds	0⅞	Three month	7.82	Five year	8.05
Fed. funds at intervention	-	Six month	8.04	Seven year	8.08
		One year	8.06	10-year	8.04
		Two year	8.09	30-year	8.02

Oct.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.60-7.80	7.65-7.85	7.80-8.00	7.80-8.00	8.00
Paris	9½-9⅝	9$\frac{11}{16}$-9$\frac{13}{16}$	9¾-9⅞	9¾-9⅞	9¾-9⅞	9.50
Zurich	6½-6⅝	7¼-7½	-	7½-7¾	-	-
Amsterdam	8¼-8⅜	8-8¼	-	8-8¼	-	-
Tokyo	5⅜-5½	5$\frac{11}{16}$-5$\frac{13}{16}$	-	5$\frac{13}{16}$-5$\frac{15}{16}$	-	-
Milan	12¼-12⅜	12½-13	-	12⅞-13⅛	-	-
Brussels	-	-	-	-	-	-
Dublin	10⅝-10¾	10⅝-10¾	10⅝-10⅞	10¾-10⅞	10⅞-11⅛	-

LONDON MONEY RATES

Oct.9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15	15	14$\frac{15}{16}$	14¾
Interbank Bid	5	14¾	14⅞	14⅞	14¾	14½
Sterling CDs	-	-	14$\frac{15}{16}$	14$\frac{15}{16}$	14$\frac{13}{16}$	14½
Local Authority Deps.	14¾	14¾	14⅞	14⅞	14$\frac{13}{16}$	14⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14$\frac{15}{16}$	14¾	14½	-	-
Company Deposits	-	-	15	15	14$\frac{15}{16}$	14$\frac{13}{16}$
Finance House Deposits	-	-	14⅞	14⅞	14⅞	14$\frac{13}{16}$
Treasury Bills (Buy)	-	-	14¾	14½	-	-
Bank Bills (Buy)	-	-	14¾	14½	13$\frac{15}{16}$	-
Fine Trade Bills (Buy)	-	-	15¼	15¼	14⅞	-
Dollar CDs	-	-	8.82	8.79	8.60	8.55
SDR Linked Dep Offer	-	-	8¾	8⅞	8¾	8¾
SDR Linked Dep Bid	-	-	8½	8⅞	8½	8½
ECU Linked Dep Offer	-	-	10	10¼	10¼	10¼
ECU Linked Dep Bid	-	-	9⅞	10⅛	10⅛	10⅛

Treasury Bills (sell); one-month 14$\frac{13}{16}$ per cent; three months 14⅜ per cent; Bank Bills (sell); one-month 14$\frac{13}{16}$ per cent; three months 14⅜ per cent; Treasury Bills; Average tender rate of discount 14.3757 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25 to November 25, 1989, Scheme I: 14.82 p.c., Schemes II & III: 15.27 p.c. Reference rate for period Sept 1, 1989 to Sept 29, 1989, Scheme IV&V: 14.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	14	Comm. Bk. N. East	15	Northern Bank Ltd	14
Allied Trust Bank	15	Co-operative Bank	*14	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	14	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	14
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	14
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	14	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	14½	Whiteaway Laidlaw	15
Beechmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	14	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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LEGAL NOTICES

IN THE MATTER OF COSPRINO (CYPRUS) LIMITED AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

NOTICE is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 10th day of November 1989 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hall Rousous, FCCA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 10th day of October 1989

A Hall Rousous FCCA Liquidator

OBITUARY

KEENS On 5th October 1989 in Jersey, Philip Francis Keens, OBE, FCA, President of the City of London and Sector Past Master of the Worshipful Company of Feltmakers. Retired Senior Partner of Keens, Shay, Keens & Co. Son of the late Sir Thomas and Lady Keens. Loving Husband of Faith, Father of Peter and Penny, Stepfather of Penny, Carolyn and Gill and much loved Grandfather. Cremation Family only. No flowers. Donations if desired to the Jersey Hospice, Clarkson House, Memorial service to be announced later.

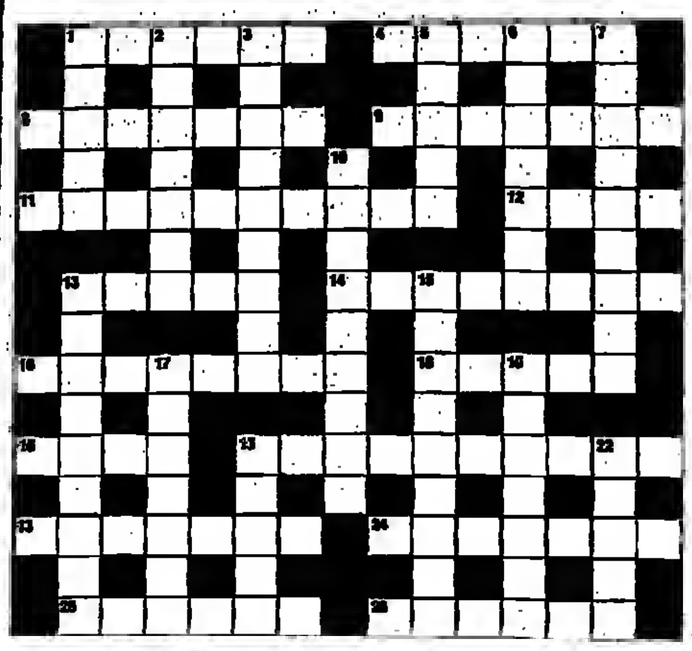
CLUBS

EVE has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 01-734 0557. 189, Regent St. London.

JOTTER PAD

CROSSWORD

No.7,059 Set by QUARK



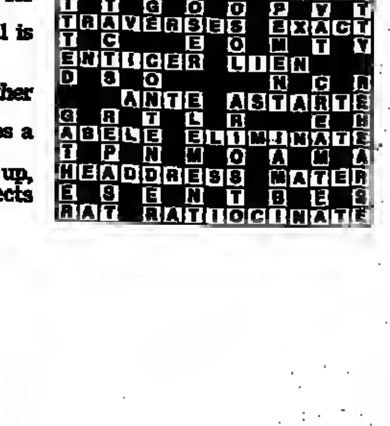
ACROSS

1 Directions prepared about the established church (6)
4 Dog selected from a variety of breeds (8)
8 Stuck out? (7)
9 Change claimed in certain currency (7)
11 One actor's art could be swell (10)
12 Worry preceding work perhaps (4)
13, 14 Not disturbing the protective layer (5,8)
16, 18 Sometimes acts as if he's got the pip? (9,5)
20 Fire-raiser returning in Florence? (4)
21 Studies quality round the north having inhibition (10)
23 Have regard in the main for a learner? No, top man in the main (7)
24 Corporation's silly ban about roof structure (7)
25 Dull way to get away for fishing (3,5)
26 English vessel in general is the holder of deeds (6)

DOWN

1 Aerofoil going round either way (5)
2 Set thrown in lake makes a recovery (3,2)
3 Plant horse-power goes up, having remarkable effects (9)
5 State tendency initially to turn away (5)
6 Become suddenly tense (applies to one's resolve?) (7)
7 One with a tale getting about quite a bit (9)
10 Gaining fin to grip at sea (9)
13 Began without aim and without limits (4-5)
15 Not possible to get change here (9)
17 Bit of yule log (fir) done up to celebrate (7)
19 Ardent, losing head: Jack comes in and becomes resentful (7)
21 Stroke of the pen (5)
22 This relative is in France, we hear (5)

Solution to Puzzle No.7,058



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 9	Oct 6	Oct 5	Oct 4	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2791.41	2785.52	2773.56	2771.09	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.62	92.59	92.51	92.59	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1518.49	1504.62	1498.76	1467.11	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.13	218.69	218.37	217.68	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

Day's High 2804.52 (2808.13) Low 2766.34 (2766.58)

STANDARD AND POOR'S

	Oct 9	Oct 6	Oct 5	Oct 4	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.80	358.76	356.97	356.94	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	410.49	409.22	406.98	407.04	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	35.24	35.16	35.09	35.18	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	199.34	198.94	198.05	197.98	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	396.52	395.93	394.43	394.36	396.52 (9/10)	305.24 (3/1)	396.52 (9/10/89)	29.31 (9/12/72)
NASDAQ Composite	485.73	483.64	480.65	479.32	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/67)	54.87 (31/10/72)

	Oct 0	Sep 29	Sep 22	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.74	3.75	3.60

	Oct 4	Sep 27	Sep 20	year ago (approx.)
S & P Industrial div. yield	2.82	2.90	2.87	3.19
S & P Indl. P/E ratio	14.90	14.42	14.49	13.03

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
USAir Group	1,650,400	52¼	+ 3⅜
Savin Sis	1,310,100	¼	− ¼
Compaq Comp	1,240,700	104⅞	+ 6⅛
AMR corp	1,240,600	104⅛	+ ¾
P Sec Col	1,138,700	24⅛	---
Citicorp	1,105,300	35⅛	+ ¾
AHK Petd	1,085,700	13⅛	---
AT&T	1,000,200	43⅛	− 1
Amer Med	980,900	23⅞	+ ⅛
Chevron Corp	935,800	65	− 1

TRADING ACTIVITY

† Volume (Millions)	Oct 9	Oct 6	Oct 5
New York	86.810	172.520	177.890
Amex	8.006	15.554	15.616
NASDAQ	(u)	155.993	151.092
Issues Traded	1,895	1,950	1,959
Rises	697	767	736
Falls	644	656	732
Unchanged	554	527	491
New Highs	88	150	120
New Lows	19	24	23

CANADA TORONTO

	Oct 7	Oct 6	Oct 5	Oct 4	1989 HIGH	1989 LOW
Metals & Minerals	(c)	3748.9	3780.6	3774.8	3919.2 (1/9)	3207.5 (3/1)
Composite	(c)	4037.0	4023.1	4019.7	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	(c)	2063.26	2059.55	2053.13	2063.26 (6/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 9	Oct. 6	Oct. 5	Oct. 4	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1773.2	1772.9	1772.5	1775.6	1783.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	862.1	863.2	865.1	867.0	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	510.10	505.66	502.24	494.71	510.10 (9/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6710.06	6700.32	6698.41	6665.28	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	338.59	335.11	333.98	331.54	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	680.8	677.6	680.9	681.4	815.8 (18/4)	674.8 (27/9)
FRANCE						
CAC General (31/12/82)	560.2	555.0	550.6	550.1	560.2 (9/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	127.8	127.1	125.9	125.7	127.9 (9/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	687.25	684.38	678.43	678.89	687.25 (9/10)	535.78 (27/2)
Commerzbank (1/12/53)	2060.3	2044.4	2027.5	2028.9	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1639.55	1624.86	1616.21	1613.27	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	2826.21	2803.17	2794.39	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1786.43	1778.36	1776.64	1778.54	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	693.08	690.22	694.53	699.04	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35376.35	35209.35	35522.99	35382.80	35689.98 (29/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2673.56	2659.38	2676.99	2679.40	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS TR.Rtn.Gen.(End 1983)	269.0	270.1	268.6	268.2	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	207.5	207.7	206.5	206.2	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	682.08	686.62	685.00	687.52	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1242.89	1216.45	1159.21	1121.83	1242.89 (9/10)	804.62 (6/3)
SINGAPORE						
Straits Times Ind. (30/12/66)	1420.18	1413.15	1404.98	1408.26	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1557.0♣	1609.0	1620.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	(c)	2692.0♣	2711.0	2724.0	2838.0 (25/8)	1962.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	922.85	925.11	929.28	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	323.03	323.20	323.31	324.62	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4378.4	4372.0	4370.7	4283.7	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	813.3	811.0	807.4	799.3	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9966.58	9545.85	9317.76	9669.94	10775.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	690.78	688.56	688.00	680.63	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	543.6	546.5	547.5	551.2 (3/8)	487.6 (13/6)

**Saturday Oct. 7: Taiwan Weighted Price: 9871.86. Korea Comp Ex. 922.67.
♣ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday October 9 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Ph Film	20.1m	5,550	+270	Canon	11.3m	1,960	+100
Nippon Steel	19.2m	717	0	MHI	10.3m	1,030	-20
Amada	18.3m	2,200	+80	TDK	6.9m	8,620	+710
Sony	12.9m	9,390	+770	Japan Victor	6.2m	2,840	+200
Tomen	11.4m	873	-1	Toshiba	6.0m	1,170	+30

4pm prices October 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅛	21¾	AAR	.44	1.2	22	23	36⅞	36⅛	36½	+ ⅛
6⅞	6⅛	ACM n	1.01	11.		107	6⅛	6	6⅛	
11⅞	10⅞	ACMIn	1.26a	11.		283	11⅛	11½	11½	
10⅛	8	ACM M	n1.01	11.		145	9	8⅞	8⅞	– ⅛
11½	12	ACM Sc	1.26	11.		395	11⅛	11⅛	11⅛	– ⅛
9⅞	6⅞	ACMSp	1.01	11.		338	6⅛	8⅞	6	
19	11½	AL Lab	.12	.7	16	131	11	16½	17	+ ⅛
4⅛	6⅛	AMCA	.12e	3.3	24	15	3⅞	6⅞	3⅞	
6⅛	4½	AM Intl			12	618	5⅞	5½	5⅞	
26½	20⅞	AM In pf	2	8.7		52	26½	36⅛	22⅞	
107¼	48½	AMR			12	12336	104¾	103½	104⅞	+ ⅜
24⅞	23⅛	ANR pf	2.12	6.6		16	24½	24	24⅛	– ⅛
7⅛	3⅛	ARX				26	4⅛	4	4	– ½
45⅞	37⅞	ASA	3a	6.7		127	44½	44¼	44½	
28¼	15¼	AVX	.24	.8	10	3057	29½	28⅞	28⅞	+ ⅛
37	44⅛	AbtLab	1.40	2.1	19	2122	u67¾	31⅛	67⅞	+ ⅛
16¼	13¼	Abitibi g	1			16	14½	14⅞	14½	
13	7½	AcmeC	.40	3.7		75	10⅞	10⅞	10⅞	
2⅛	6⅞	AcmeE	.32	3.6	11	2	9	8	2	– ⅛
38½	20¼	Acuson			27	174	38½	38⅛	38¼	– ¼
17	14¼	AdaEx	1.82e	11.		142	16⅞	16⅞	16⅞	+ ½
12⅞	6½	Adobe				263	12⅛	12⅛	12⅛	– ¼
19⅞	16½	Adob pf	1.84	6.6		6	16¼	16	12¼	+ ¼
21⅞	16⅞	Adob pf	2.40	11.		4	21¼	21¼	21¼	– ¼
12½	7⅛	AMD				1269	8⅞	8⅞	8⅞	
35	28¾	AMD pf	3	9.7		35	35⅞	30⅛	30⅞	+ ¼
10⅛	8¼	Advest	.12	1.4	10	126	6⅞	6¾	6⅞	+ ⅛
20⅛	45	AetnLf	2.76	4.6	6	1520	59¼	58½	59½	
14	13⅛	AffilPb				10857	16⅛	13⅛	13⅛	
25	15⅛	Ahmans	.88	3.5	12	1416	24½	24	24¼	– ⅛
4¼	2¼	Aileen				29	3⅛	6	3⅛	
48⅞	37¾	AirPrd	1.32	2.8	12	225	47¼	46⅞	47	+ ¼

[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close Chng
68	59⅝	Xerox	3	4.5	16	836	68½	66⅛	66½	+ ⅛
48¾	44⅛	Xerox pf4.13		8.9		8	47	46¾	46⅛	− ⅜
44⅛	27	XTRA	.72	2.6	6	40	27⅝	27½	27⅛	+ ⅜
4¼	2	Zapata				137	2½	2¾	2½	+ ⅛
15½	9½	Zemex	.40	4.1		4	9⅞	8¾	9⅞	+ ¼
22⅝	14	ZenithE				694	16	15½	15⅝	− ¾
10⅜	8⅛	ZenInc	1.26	16.		110	8¼	8⅛	8¼	− ⅛
5½	⅛	vjZenLb				2806	⅜	15-32	½	
21½	15	ZenNt	.84	4.4	8	111	19¼	19¼	19¼	
18½	12⅝	Zero s	.40	2.3	19	38	17¾	17½	17⅛	− ⅛
44¼	25⅛	Zurnin	.80	1.8	20	55	41⅞	41½	41⅝	
12⅝	10	Zweig	1.12e	9.3		374	12¼	11⅞	12	
10⅜	9¼	ZweigTl	.96	10.		1307	9½	9¼	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 9

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 9

– X–Y–Z –

Stock	Div.	Sales 100s	High	Low	Last	Chng
Worthg	.80	17 102	24⅛	25⅞	23⅞	
Wyman	.80	175 17	17½	17½	17½	
XL Dta s		18 322	24⅛	30⅛	23½	− ⅝
XOMA		957	23	22¼	22¼	− ⅛
Xicor		16 76	6½	5	6	− ⅛
YanEnS	.38e	1035	22	21⅜	22	+ ¼
YelowF	.78	10 232	20	27⅞	20	
YorkRs		159	6¾	6⅞	6⅞	+ ⅛
ZionUt	1.44	11	30¾	30¾	30¾	− ⅛

AMERICA

Dow reaches all-time high in quiet holiday trading

Wall Street

AFTER DRIFTING lower during the morning session yesterday, equities picked up and ended at another all-time high in extremely quiet business with many traders away for Columbus Day and Yom Kippur holidays, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 5.89 points higher at 2,791.41. It was one of the quietest trading sessions of the year, with only 87m shares traded.

The Dow Jones Transportation Index again outperformed, rising 13.87 points to 1,518.49. The airline sector again accounted for this strength, with more takeover speculation. This time, USAir was in focus, after a US newspaper report that Steinhardt Partners, which owned an 8.3 per cent stake in the company, had hired a Wall Street brokerage to explore e range of possibilities which boost the price of the stock. USAir rose $3¼ to $51⅞.

AMR, the parent company of American Airlines, added $1⅞ to $104⅞. Some shareholders were reported to have said that they *wouldn't* necessarily back the "just say no" defence of company chairman, Mr Robert Crandall, against the $120 a share offer announced by New York real estate developer, Mr Donald Trump.

Among *other* airlines, UAL rose $1¼ to $284⅞ and Delta added $1⅛ to $51⅞.

Apart from airlines, the market was dull, and it will be difficult to discern underlying sentiment after last week's *surge to all-time highs* until full-scale trading resumes today.

The mild profit-taking which emerged yesterday was not surprising, given the gain in the Dow Jones Industrial Average last week of more than 90 points.

There was little obvious reaction yesterday to an apparent easing by the US Federal Reserve. The yield on the Treasury's benchmark long bond dipped to just below 8 per cent, in response to an easing in the Fed Funds rate to 8⅞ per cent.

The Fed drained liquidity from the money market on Friday, but the Fed Funds rate nevertheless moved well below 9 per cent, suggesting that there had been an easing move. The Fed is believed to have decided to ease as part of a Group of Seven agreed package aimed at driving the dollar down. The easing appeared to coincide with interest rate rises in Europe.

The dollar remained steady yesterday, trading quietly in mid-range at the New York midsession.

Among featured stocks yesterday, American Medical International added $⅝ to $23⅞, after the company agreed to a lower bid from IMA Acquisition, an investor group including a Pritzker family-backed leveraged buy-out company and First Boston. The offer has been reduced by $1.50 a share to $26.50.

Bolar Pharmaceutical dropped $1⅞ to $20⅞ on the American Stock Exchange after the company began a voluntary recall of an anti-infective drug.

Canada was closed for the Thanksgiving holiday.

World unmoved by struggle of the giants

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+4.27	+5.79	+91.31	+84.49	+96.53
Belgium	−0.45	+2.25	+16.39	+12.13	+19.85
Denmark	+1.60	−0.33	+53.89	+26.23	+32.60
Finland	+0.43	−7.42	+7.60	−1.63	+8.83
France	+1.19	+2.19	+40.25	+28.05	+36.50
West Germany	+3.38	+0.55	+30.06	+24.92	+32.28
Ireland	+1.40	+0.89	+21.44	+30.17	+37.86
Italy	−2.37	−3.45	+19.52	+13.59	+21.43
Netherlands	+1.96	−0.94	+29.03	+24.78	+32.08
Norway	+0.01	−2.41	+63.07	+41.32	+50.19
Spain	−0.85	+1.94	+14.00	+17.74	+25.60
Sweden	+0.89	−1.74	+48.47	+33.24	+42.11
Switzerland	+2.22	−1.39	+21.94	+28.90	+32.91
UK	−1.25	−5.13	+21.57	+25.03	+25.03
EUROPE	+0.21	−2.68	+25.91	+24.59	+38.59
Australia	+2.79	+1.65	+17.63	+20.91	+25.26
Hong Kong	+2.55	+8.34	+17.12	+6.81	+20.83
Japan	−2.38	+1.73	+24.12	+9.35	+8.05
Malaysia	+1.48	+2.80	+55.09	+42.93	+52.21
New Zealand	+1.91	−4.36	+23.62	+32.08	+39.26
Singapore	+2.62	−1.99	+38.42	+34.77	+50.24
Canada	+2.56	+2.96	+21.44	+20.84	+38.51
USA	+2.79	+3.14	+28.51	+28.91	+48.53
Mexico	+2.92	+2.33	+132.84	+122.00	+120.73
South Africa	−3.76	−2.39	+38.57	+34.47	+52.42
WORLD INDEX	+0.04	+1.36	+25.88	+18.94	+24.50

† Based on 6 October 1989

By Alison Maitland

THE US and Japan joined battle for the world cup last week but the struggle between the heavyweights ended in a nil-nil draw.

An ebullient US stock market, *propelled by encouraging* economic news and an irrepressible dollar, was nevertheless unable to do more than counterbalance the depressing effect of Japan's currency-inspired slide.

With the US rising 2.8 per cent over the week and Japan falling 2.4 per cent, the FT-Actuaries World Index ended unchanged on the week. Excluding the US, the world index fell 1.2 per cent, but excluding Japan it rose 1.8 per cent.

The American performance, which kicked off the final quarter of the year with four consecutive records on the Dow Jones Industrial Average, was initially inspired by the strength of the dollar and the bond market.

As the week progressed, there was further fuel from takeover activity in the airlines sector and from weaker than expected employment growth which, with the dollar's resilience, suggested to some analysts that interest rates could come down.

The fallout for the yen from last week's dollar strength was the main reason for Japan's weakness, with the West German-led round of interest rate rises in Europe on Thursday setting off a bout of nerves about whether the Bank of Japan might follow.

It was not all bad news for the market, however; a lot of the attention switched to smaller stocks and the second section of the Tokyo exchange hit a record high.

The rate rises in Europe were positively welcomed by most continental bourses, with West Germany *climbing* 3.4 per cent during the week, Switzerland up 2.2 per cent and France rising 1.2 per cent. The watchword was relief that the long-awaited increase was finally out of the way.

The opposite was true of the UK, where shares declined 1.3 per cent over the week as base rates climbed to 15 per cent. Its divergence from the Continent is shown in a mere 0.2 per cent rise for Europe as a whole, while Europe excluding the UK gained a healthier 1.3 per cent.

The Pacific region had another positive week, if Japan is removed from the equation. While the Pacific Basin including Japan fell 2.1 per cent, the region without Japan gained 2.6 per cent.

Hong Kong, though hesitant, had four rises in a row and ended the week 2.6 per cent higher at its best levels since the turmoil in China began in May. Singapore put on 2.5 per cent, helped by Japanese interest in the property sector, while Australia closed with a week's gain of 2.8 per cent thanks to speculative activity in the banks.

The worst loser was South Africa, which fell 3.8 per cent under the combined pressure of a strong financial rand – through which foreigners have to invest – a gold bullion price depressed by the firm dollar, and a weak UK market.

Italy was also in the doldrums, losing 2.4 per cent under the weight of cash calls and a disappointing start to trading for Enimont, the chemicals venture.

EUROPE

Vigour and high volume in West German blue chips

HESITATION marked a number of Continental markets yesterday as they failed to match the vigour of their West German pacemaker, *writes Our Markets Staff.*

FRANKFURT climbed further, with huge volume in its two most actively traded stocks, on the conviction that West German interest rates have peaked. The FAZ index rose 2.87 to 687.25 at mid-session and the DAX made its sixth consecutive gain to close 14.69 higher at 1639.55. Volume eased only slightly, from DM6bn to DM5.7bn.

Domestic and foreign buying put big volume into Deutsche Bank, and Volkswagen. Banking stocks rose as interest rate fears subsided but the Deutsche, a blue chip with entrepreneurial tendencies, gained its DM9 to DM710 in turnover of DM990m. Commerbank, fourth in the charts with DM290m, was DM4 higher at DM277.

Volkswagen, second in volume with DM734m, led car makers higher with a jump of DM16.20, or 4 per cent to DM482.20 on speculation by London brokerage houses about its 1989 earnings prospects.

Siemens, third in the charts, climbed DM8 et the opening amid several large buy orders from London, fell back on profit-taking and closed DM5 better at DM612.

PARIS ended marginally lower, but there were some striking performances from individual stocks.

Eurotunnel continned its slide, losing FFr7.75, or nearly 13 per cent to FFr53 in active trading after announcements in London and Paris. The *group said it might need up to* £1.5bn in new bank financing to complete the tunnel; and in Paris it announced that there could, therefore, be a delay in its first dividend payment, due in 1995. The shares reached a peak of *FFr126.90 last* July.

Thomson-CSF, on the other hand, rose FFr4.20 to FFr181.30 on a combination of bargain-hunting and interest in the possibility of a joint bid with British Aerospace for the troubled Ferranti group. Thomson is seen as a trading stock, and last week it fell FFr5 on disappointment over a decline in first half profits.

Navigation Mixte, the holding company with insurance interests, was up FFr15 at FFr1,470 and actively traded. The state-owned Assurances Generales de France said it had raised its stake to more than 7.5 per cent; earlier, the stock exchange said Mercury Asset Management, the UK portfolio manager, had sold a 6.6 per cent stake.

The OMF 50 index was down 1.58 at 534.87 and the opening CAC General index reached a record high of 590.2, up 5.2. Turnover was thought to be modest at around FFr2.5bn.

MILAN rose 2.86 to 693.08 in thin volume, but ended below its best as a queue of rights issues continued to weigh down the market. Sentiment was boosted by the news that the shares of the scandal-rocked Banca Nazionale del Lavoro (BNL) are likely to be re-admitted for trading on Thursday of this week.

AMSTERDAM was very quiet, with nervous eyes turned to London and the falling pound. The CBS tendency index closed 0.2 lower at 197.7.

Fokker was a rare mover, adding 50 cents to Fl 50, partly on news of a single aircraft order from the Japanese regional airline Nakanihon. Fokker also said it expected USAir to turn five options for F-100 twinjets into orders, while KLM is to convert three options on F-50s into firm orders.

BRUSSELS was mixed to lower on the last day of the forward market account, depressed by fears over interest rates and the dollar. The cash market index rose 9.74 points to 6,710.06.

However, Groupe AG, the insurer, advanced BFr525 or 3.8 per cent to BFr14,500 on speculation about the company's future. Volume was high at 4,000 shares.

The company's price has risen 51 per cent since the beginning of September.

Cobepa, the bolding company, gained BFr10 to BFr6,300 after announcing a strong rise in net profit in the first half of 1989.

MADRID dribbled on downwards, with lower volumes indicating that caution has taken hold of the market in the run-up to the elections on October 29.

Investors are also waiting for money supply and inflation figures, due this week and next, for a clearer idea on whether the Government will be able to ease monetary controls.

The general index lost 0.17 to 323.03 and volume was estimated at $80m-$90m.

STOCKHOLM recovered from early losses to close marginally higher in moderate trade as sentiment firmed. The Affärsvärlden General index rose 0.7 to 1,295.1. Turnover improved to SKr285m from Friday's SKr244m.

The market was encouraged by strong gains by Alfa-Laval, the engineering group. Its free Bs rose SKr6 to SKr180 after the company revealed a 50 per cent rise in pre-tax profits with its eight-month results.

Automotive shares were in strong demand. Volvo topped the actives with turnover worth SKr70m. It climbed SKr6 to SKr491 in early trading after the company said its truck division had achieved a foothold on the Japanese market through a deal with Izuzu, but fell later back to SKr484.

OSLO eased, investors appearing cautious about taking fresh positions before the Labour Government's budget on Thursday. The all-share index fell 3.83 to 527.08 in moderate trading worth a total of NKr216m.

Aker, the engineering and construction company, rose NKr2.50 to NKr121.50. It *revised its profits forecast up* NKr50m to NKr550m and said it planned to buy cement-making units abroad with money raised through an issue of non-voting shares to foreign investors.

HELSINKI prices rose after falling every day last week. Domestic interest rates fell slightly from Friday's record highs.

The Unitas all-share index rose 0.5 per cent or 3.2 to 680.8.

Johannesburg was closed for a holiday.

ASIA PACIFIC

Yen's recovery shakes off investors' worries

Tokyo

INVESTORS took heart from the yen's recovery and last week's strength on Wall Street, and shares made a good start to the week, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average climbed steadily yesterday, encouraged by the strong performance of the yen, and the bond market. Against a high of 35,405.20 and a low of 35,229.71, it closed 187 higher at 35,376.35. Advances outnumbered declines by 549 to 411 while 173 issues were unchanged.

Turnover fell to 709m shares from the 737m traded on Friday. The Topix index of all listed shares climbed 14.18 to 2,673.56, but in London the ISE/Nikkei 50 index eased 0.44 to 2,049.19.

The yen's moderate improvement yesterday came as a relief to Tokyo investors, who have been under the demoralising influence of currency and interest rate worries for quite some time. However, it is still believed that the dollar will show greater strength in the long run and fears of rising interest rates remain acute.

Yesterday's low volume reflected these concerns, as well as a general reluctance to take np positions before today's national sports day holiday. The consensus was that prices would slip as soon as the yen started falling but that investors would be keen to come back in and pick up bargains in that eventuality.

Most investors who were in for the day chose to pursue quick profits in highly priced issues, especially those with good earnings. Yesterday saw evidence that dealers have been working hard at spreading the chase to big companies, like Toyota, the car maker, which rose Y170 to Y2,610. This was the first gain in four days for Toyota, which drew support not only from its strong business *performance*, but also for its low price/earnings ratio.

The speculators also went after highly-priced precision industry and high-technology issues, which are not unduly sensitive to interest rates. One auch company, Fuji Film, topped the volumes list with 20.1m shares. Fuji has been favoured recently for its high earnings, low p/e ratio and a scrip issue which is set for October 20. Fuji rose Y270 to a new high yesterday of Y5,550.

Amada, the leading manufacturer of metalworking machines, was third in volume with 18.3m shares. It closed up Y60 at Y2,200 on the strength of good earnings. TDK, the maker of magnetic tapes, surged Y710 to Y6,620 in active trading.

Meanwhile, the planned acquisition of Columbia Pictures by Sony brought takeover fever to the audio sector. Sony, another high-priced, good business performance issue, *posted a strong gain of* Y770 to Y9,380. Japan Victor, an audio maker which has diversified into other consumer electronics, gained Y200 to Y2,940.

Highly-priced electricals kept the buying strong in Osaka and the OSE average surged 278.53 to 36,521.25. Volume, however, dropped to 70.3m shares from the 72.2m traded on Monday. Omron Tateishi Electronics, one of the recently popular Kansai-based issnes, advanced Y210 to Y3,960.

Roundup

HOLIDAYS in Hong Kong and South Korea lowered the market temperature elsewhere, and the Pacific Basin put up a mixed performance yesterday.

AUSTRALIA held on to its hiatus as the All Ordinaries index closed a mere 0.3 higher at 1,773.2. Turnover slumped to 76m shares worth A$116m from 111m worth A$169m on Friday.

Apart from the effect of holidays elsewhere, the Australian dollar gained nearly half a cent to around US$0.7830 by the *close of share* market trading, and this discouraged offshore investors.

Bond Corp fell 2 cents to 29 cents amid uncertainty about the timing of its results. Bond had said that the delay in preparing the overdue report may affect the timing of its formal offer for its associated company Bell Resources.

Meanwhile, Australia's National Companies and Securities Commission said that Bond should complete its andit without further delay. Bell Resources slipped 1 cent to A$1.01, while Bond Media fell 2 cents to 25 cents and Bell Group, another Bond associate, lost 7 cents to 38 cents.

SINGAPORE closed before the news of Premier Lee Kuan Yew's decision to hand over to his deputy – at the end of next year – hit the streets. *It closed* slightly lower, bnt only in terms of the Straits Times industrial index, which eased 0.37 to 1,420.18.

Share prices were reported generally as climbing, and closing firmer in spite of some profit-taking. Falls in some index-component stocks pushed the STI lower, but the broader market saw gains leading losses by 154 to 50 and the all-share index rose 1.84 to 372.93. Volume fell to 88.9m shares worth S$202m from 93.2m worth S$186.2m in the previous session.

NEW ZEALAND fell sharply in light trade, affected by market holidays elsewhere. Sentiment was also dampened by last week's collapse of DFC New Zealand, the investment bank. The Barclays Index lost 25.22 to 2,293.50 in turnover 2m shares lower at 9.1m.

MANILA took last week's rise further, as new positions were taken in the commercial sector, and dealers said that more local investors are coming in. *The* composite index rose 26.44 to 1,242.89.

Shares in the commercial sector were boosted by the expected listing of a special Philippine fund on the New York Stock Exchange next month. The Philippine Securities and Exchange Commission (SEC) is reviving the operation of mutual fund companies in the country after about a 20-year absence as part of its campaign to develop the domestic capital market.

Mutual fund operations have been banned in the Philippines since the mid-1960s, when small investors started complaining about fly-by-night operators.

TAIWAN chalked up a further recovery as the weighted index finished 94.72 higher at 9,966.58.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 9 1989						FRIDAY OCTOBER 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	160.41	+0.0	150.61	136.08	+0.0	4.85	160.33	148.33	136.12	160.41	128.28	140.77
Austria (19)	168.63	+1.0	158.34	165.33	+1.1	1.48	167.03	154.53	163.51	168.63	92.84	89.19
Belgium (63)	142.66	+0.5	133.95	139.84	+0.2	3.96	141.99	131.37	139.54	144.47	125.58	123.84
Canada (122)	154.19	+0.1	144.75	131.22	+0.0	3.13	154.08	142.51	131.22	154.19	124.67	123.63
Denmark (36)	202.12	+1.0	189.79	202.12	+0.7	1.57	200.13	185.19	200.68	219.89	165.35	134.90
Finland (26)	125.39	−0.2	117.73	112.97	+0.0	2.45	125.63	116.23	113.00	159.19	123.12	113.06
France (126)	139.55	+0.3	131.03	140.04	+0.1	2.69	139.10	128.69	139.97	139.67	112.57	100.71
West Germany (97)	103.84	+0.8	97.50	101.74	+0.4	2.02	103.06	95.35	101.34	103.84	79.58	81.73
Hong Kong (48)	119.49	+0.0	112.19	119.70	+0.0	4.72	119.47	110.53	119.70	140.33	86.41	105.34
Ireland (17)	162.43	+1.1	152.52	162.15	+0.9	2.73	160.70	148.97	160.65	166.69	125.00	137.84
Italy (97)	92.28	+0.8	86.65	95.25	+0.6	2.40	91.57	84.72	94.65	96.73	74.97	76.34
Japan (455)	184.42	+0.6	173.19	166.29	+0.5	0.46	183.30	169.59	165.46	200.11	164.22	159.53
Malaysia (36)	208.50	+1.1	195.77	216.37	+1.1	2.45	206.20	190.77	213.98	208.50	143.35	134.86
Mexico (13)	318.19	+0.8	298.70	908.06	+1.1	0.57	319.47	292.79	898.58	321.99	153.32	152.97
Netherland (43)	131.72	+0.2	123.68	129.06	−0.1	4.14	131.50	121.67	128.20	131.72	110.63	105.05
New Zealand (19)	82.52	−1.1	77.48	74.55	−0.9	4.70	83.40	77.16	75.26	88.19	62.64	72.02
Norway (24)	182.65	−1.1	171.50	173.23	−1.0	1.50	184.74	170.92	174.96	198.39	139.92	115.50
Singapore (26)	167.54	+0.9	157.31	151.87	+0.5	1.94	166.50	154.04	151.04	170.62	124.57	119.12
South Africa (60)	157.13	−0.4	147.53	132.10	+0.0	4.34	157.73	145.93	132.10	160.24	115.35	107.94
Spain (43)	166.52	+0.3	155.41	149.85	−0.1	3.48	165.10	152.74	149.96	169.75	143.14	141.75
Sweden (35)	181.80	−0.1	170.69	174.33	−0.2	1.97	182.04	168.42	174.70	188.94	138.45	125.58
Switzerland (64)	92.19	+0.2	86.53	94.01	+0.3	2.01	91.93	85.05	93.75	94.19	67.81	79.40
United Kingdom (306)	145.58	−2.9	136.69	136.69	−1.4	4.43	149.86	138.66	138.66	158.41	133.28	131.74
USA (547)	146.29	+0.3	137.36	146.29	+0.3	3.15	145.90	134.99	145.90	146.29	112.19	113.64
Europe (996)	129.48	−0.8	121.56	124.68	−0.5	3.36	130.65	120.87	125.25	132.95	112.63	108.10
Nordic (121)	168.50	+0.2	158.21	157.61	+0.1	1.80	168.22	155.63	157.52	178.38	137.95	116.98
Pacific Basin (669)	181.02	+0.9	169.97	163.28	+0.5	0.73	179.99	166.52	162.52	194.72	160.44	156.54
Euro–Pacific (1665)	160.51	+0.1	150.71	147.76	+0.2	1.59	160.38	148.38	147.52	166.98	141.56	137.20
North America (669)	146.66	+0.9	137.70	145.34	+0.3	3.15	146.28	135.34	144.98	146.66	112.79	114.17
Europe Ex. UK (690)	118.51	+0.5	111.28	117.11	+0.2	2.64	117.96	109.13	116.84	118.51	96.30	93.31
Pacific Ex. Japan (214)	140.05	+0.1	131.50	125.37	+0.0	4.51	139.98	129.51	125.36	140.05	111.93	120.50
World Ex. US (1860)	160.36	+0.1	150.57	147.31	+0.2	1.67	160.23	148.24	147.08	166.35	141.49	136.46
World Ex. UK (2101)	155.10	+0.4	146.63	147.90	+0.4	1.95	154.44	142.66	147.39	156.04	136.95	127.15
World Ex. So. Af. (2347)	154.21	+0.1	144.80	146.95	+0.2	2.14	153.99	142.47	146.66	155.92	136.67	127.66
World Ex. Japan (1952)	140.19	−0.2	131.63	137.19	+0.0	9.29	140.43	129.93	137.21	140.43	114.51	112.25
The World Index (2407)	154.23	+0.1	144.81	148.84	+0.2	2.16	154.01	142.49	148.56	155.89	136.66	127.54

Markets closed October 9: Canada, Hong Kong and South Africa.